460th MEETING OF THE HEALTH SERVICES COST REVIEW COMMISSION

EXECUTIVE SESSION
9:00 a.m.

1. MCO Alternative Rate Methodology Applications

2. Legal Issues

PUBLIC SESSION OF THE
HEALTH SERVICES COST REVIEW COMMISSION
September 2, 2009
9:30 a.m.

1. Review of the Public Minutes of August 5, 2009

2. Executive Director's Report

3. Docket Status - Cases Closed

2031R - Garrett County Memorial Hospital
2033N - Baltimore Washington Medical Center
2034A - University of Maryland Medical Center
2035R - Carroll Center Hospital

4. Docket Status - Cases Open

2036R - Howard County General Hospital
2037A - Johns Hopkins Health System
2038A - Johns Hopkins Health System
2039A - Johns Hopkins Health System
2040A - MedStar Health
2041A - Johns Hopkins Health System
2042A - MedStar Health
2043A - Johns Hopkins Health System
2044A - Johns Hopkins Health System
2045A - MedStar Health
2046A - Maryland Physicians Care

5. Staff Final Recommendation on the University of Maryland - Baltimore National Study Center for Trauma and EMS Request to Access the HSCRC Confidential Patient Level Data

6. Final Recommendation on Hospital Assessment in Lieu of Medicaid Day Limits from Board of Public Works Approved Budget Reductions

7. Draft Recommendation on Handling Charity Care in Uncompensated Provision

8. Update on Transactions with Related Entities

9. Legal Report

10. Hearing and Meeting Schedule

H.S.C.R.C's CURRENT LEGAL DOCKET STATUS (OPEN)

AS OF AUGUST 24, 2009

A: PENDING LEGAL ACTION : NONE
B: AWAITING FURTHER COMMISSION ACTION: NONE
C: CURRENT CASES:

Docket Number	Hospital Name	Date Docketed	Decision Required by:	Rate Order Must be Issued by:	Purpose	Analyst's Initials	File Status
2036R	Howard County General Hospital	8/5/09	9/8/09	1/5/10	MSG/DEF	CO	OPEN
2037A	Johns Hopkins Health System	8/5/09	N/A	N/A	ARM	DNP	OPEN
2038A	Johns Hopkins Health System	8/5/09	N/A	N/A	ARM	DNP	OPEN
2039A	Johns Hopkins Health System	8/17/09	N/A	N/A	ARM	DNP	OPEN
2040A	MedStar Health	8/17/09	N/A	N/A	ARM	DNP	OPEN
2041A	Johns Hopkins Health System	8/17/09	N/A	N/A	ARM	DNP	OPEN
2042A	MedStar Health	8/17/09	N/A	N/A	ARM	DNP	OPEN
2043A	Johns Hopkins Health System	8/17/09	N/A	N/A	ARM	DNP	OPEN
2044A	Johns Hopkins Health System	8/17/09	N/A	N/A	ARM	DNP	OPEN
2045A	MedStar Health	8/24/09	N/A	N/A	ARM	DNP	OPEN
2046A	Maryland Physicians Care	8/24/09	N/A	N/A	ARM	DNP	OPEN

PROCEEDINGS REQUIRING COMMISSION ACTION - NOT ON OPEN DOCKET

None

IN RE: THE PARTIAL RATE	*	**BEFORE THE HEALTH SERVICES**
APPLICATION OF	*	**COST REVIEW COMMISSION**
HOWARD COUNTY	*	**DOCKET: 2009**
GENERAL HOSPITAL	*	**FOLIO: 1846**
COLUMBIA, MARYLAND	*	**PROCEEDING: 2036R**

* *

Staff Recommendation

September 2, 2009

Introduction

On August 4, 2009, Howard County General Hospital(the "Hospital") submitted a partial rate application to the Commission requesting its July 1, 2009 Medical Surgical Acute (MSG) and Definitive Observation(DEF)approved rates be combined effective July1, 2009 This rate request is revenue neutral and will not result in any additional revenue for the Hospital, as it only involves the combining of two revenue centers. The Hospital wishes to combine these two centers as they will be physically located in the Hospital's new wing (opening July 2009). The Hospital also wishes to combine the two centers because the patients have similar staffing needs, and placement into either unit is often based on bed availability. The Hospital's currently approved rates and the new proposed rate are as follows:

	Current Rate	Budgeted Volume	Approved Revenue
Medical Surgical Acute	$833.27	23,128	$19,271,869
Definitive Observation	778.73	13,568	10,565,800
Combined Rate	813.10	36,696	29,837,669

Recommendation

After reviewing the Hospital's application, the staff recommends that the Hospital be allowed to collapse its Definitive Observation rate into its Medical Surgical Acute rate effective August 1, 2009.

IN RE: THE APPLICATION FOR	*****	**BEFORE THE MARYLAND HEALTH**
ALTERNATIVE METHOD OF RATE	*****	**SERVICES COST REVIEW**
DETERMINATION	*****	**COMMISSION**
JOHNS HOPKINS HEALTH	*****	**DOCKET: 2009**
SYSTEM	*****	**FOLIO: 1847**
BALTIMORE, MARYLAND	*****	**PROCEEDING: 2037A**

Staff Recommendation

September 2, 2009

I. INTRODUCTION

On August 5, 2009, Johns Hopkins Health System ("System") filed a renewal application on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") requesting approval from the HSCRC to continue participation in global rates for cardiovascular procedures with Global Excel Management, Inc. The Hospitals request that the Commission approve the arrangement for an additional year through July 31, 2010.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Johns Hopkins HealthCare, LLC ("JHHC"), which is a subsidiary of the System. JHHC will continue to manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC

maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear the risk of potential losses.

V. STAFF EVALUATION

Staff found that the actual experience under the arrangement for the last year has been favorable. The hospital component of the global prices and the contract terms have been updated based on current data, and staff is satisfied that the Hospitals can continue to achieve favorable performance under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission approve the Hospitals' application for an alternative method of rate determination for cardiovascular services for a one year period beginning August 1, 2009. The Hospitals must file a renewal application annually for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC- approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

IN RE: THE APPLICATION FOR	*****	**BEFORE THE MARYLAND HEALTH**
ALTERNATIVE METHOD OF RATE	*****	**SERVICES COST REVIEW**
DETERMINATION	*****	**COMMISSION**
JOHNS HOPKINS HEALTH	*****	**DOCKET: 2009**
SYSTEM	*****	**FOLIO: 1848**
BALTIMORE, MARYLAND	*****	**PROCEEDING: 2038A**

Staff Recommendation

September 2, 2009

I. INTRODUCTION

On August 5, 2009, Johns Hopkins Health System ("System") filed a renewal application on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") requesting approval from the HSCRC to continue participation in global rates for cardiovascular procedures with the Canadian Medical Network.. The Hospitals request that the Commission approve the arrangement for an additional year beginning effective September 1, 2009.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Johns Hopkins HealthCare, LLC ("JHHC"), which is a subsidiary of the System. JHHC will continue to manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC

maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear the risk of potential losses.

V. STAFF EVALUATION

Staff finds that the actual experience under the arrangement for the last year has been favorable. The hospital component of the global prices and the contract terms have been updated based on current data, and staff is satisfied that the Hospitals can continue to achieve favorable performance under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission approve the Hospitals' application for an alternative method of rate determination for cardiovascular services for one year beginning September 1, 2009, contingent upon a favorable evaluation of performance. The Hospitals must file a renewal application annually for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document will formalize the understanding between the Commission and the Hospitals, and will include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

IN RE: THE APPLICATION FOR	*	**BEFORE THE MARYLAND HEALTH**	
ALTERNATIVE METHOD OF RATE	*	**SERVICES COST REVIEW**	
DETERMINATION	*	**COMMISSION**	
JOHNS HOPKINS HEALTH	*	**DOCKET:**	**2009**
SYSTEM	*	**FOLIO:**	**1849**
BALTIMORE, MARYLAND	*	**PROCEEDING:**	**2039A**

Staff Recommendation

September 2, 2009

I. INTRODUCTION

Johns Hopkins Health System ("System") filed a renewal application with the HSCRC on August 17, 2009 on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The System requests approval from the HSCRC for participation in an amended global rate arrangement for solid organ and bone marrow transplants with United Resources Networks, a division of United HealthCare Services, for a period of one year beginning September 1, 2009.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Johns Hopkins HealthCare, LLC ("JHHC"), which is a subsidiary of the System. JHHC will manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the

Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear risk of potential losses.

V. STAFF EVALUATION

The staff reviewed the experience under the this arrangement for the last year and found it to be favorable. After review of the contract, staff believes that the Hospitals can achieve a favorable experience under this amended arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission approve the Hospitals' application for an alternative method of rate determination for solid organ and bone marrow transplant services, for a one year period commencing September 1, 2009. The Hospitals will need to file a renewal application for review to be considered for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

IN RE: THE APPLICATION FOR	*	**BEFORE THE MARYLAND HEALTH**
ALTERNATIVE METHOD OF RATE	*	**SERVICES COST REVIEW**
DETERMINATION	*	**COMMISSION**
MEDSTAR HEALTH	*	**DOCKET: 2009**
	*	**FOLIO: 1850**
BALTIMORE, MARYLAND	*	**PROCEEDING: 2040A**

Staff Recommendation

September 2, 2009

I. INTRODUCTION

MedStar Health filed an application with the HSCRC on August 17, 2009 on behalf of Union Memorial Hospital and Good Samaritan Hospital (the "Hospitals") for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. Medstar Health requests approval from the HSCRC for continued participation in a global rate arrangement for cardiovascular services with the Kaiser Foundation Health Plan of the Mid-Atlantic, Inc. for a period of one year beginning August 1, 2009.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Helix Resources Management, Inc. (HRMI). HRMI will manage all financial transactions related to the global price contract including payments to the Hospitals and bear all risk relating to services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was renegotiated in 2007. The remainder of the global rate is comprised of physician service costs. Also in 2007, additional per diem payments were negotiated for cases that exceed the outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to HRMI for all contracted and covered services. HRMI is responsible for billing the payer, collecting payments; disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The Hospitals contend that the arrangement between HRMI and the Hospitals holds the Hospitals harmless from any shortfalls in payment from the global price contract.

V. STAFF EVALUATION

The staff reviewed the results of last year's experience under this arrangement and found that they were favorable. Staff believes that the Hospitals can continue to achieve a favorable experience under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission approve the Hospitals' request for continued participation in the alternative method of rate determination for cardiovascular services for a one year period commencing August 1, 2009. The Hospitals will need to file a renewal application for review to be considered for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, and confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

IN RE: THE ALTERNATIVE	*****	**BEFORE THE HEALTH**	
RATE APPLICATION OF	*****	**SERVICES COST REVIEW**	
THE JOHNS HOPKINS HEALTH	*****	**COMMISSION**	
SYSTEM	*****	**DOCKET:**	**2009**
	*****	**FOLIO:**	**1851**
BALTIMORE, MARYLAND	*****	**PROCEEDING**	**2041A**

Staff Draft Recommendation

September 2, 2009

I. Introduction

On August 13, 2009 Johns Hopkins Health System ("JHHS," or the "System") filed an application for an Alternative Method of Rate Determination pursuant to COMAR 10.37.10.06 on behalf of Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals"). The System seeks renewal for the continued participation of Priority Partners, Inc. in the Medicaid Health Choice Program. Priority Partners, Inc. is the entity that assumes the risk under the contract. The Commission most recently approved this contract under proceeding 2001A for the period from January 1, 2009 through December 31, 2009. The Hospitals are requesting to renew this contract for a one-year period beginning January 1, 2010.

II. Background

Under the Medicaid Health Choice Program, Priority Partners, a provider sponsored Managed Care Organization ("MCO" sponsored by the Hospitals), is responsible for providing a comprehensive range of health care benefits to Medical Assistance enrollees. Priority Partners was created in 1996 as a joint venture between Johns Hopkins Health Care (JHHC) and the Maryland Community Health System (MCHS) to operate an MCO under the Health Choice Program. Johns Hopkins Health Care operates as the administrative arm of Priority Partners and receives a percentage of premiums to provide services such as claim adjudication and utilization management. MCHS oversees a network of Federally Qualified Health Clinics which provide member expertise in the provision of primary care services and assistance in the development of provider networks on an exclusive basis in exchange for an exclusivity payment.

The application requests approval for the Hospitals to continue to provide inpatient and

outpatient hospital services, as well as certain non-hospital services, in return for a State-determined capitation payment. Priority Partners pays the Hospitals HSCRC-approved rates for hospital services used by its enrollees. The Hospitals supplied information on their most recent experience and their projected revenues and expenditures for the upcoming year based on the revised Medicaid capitation rates.

Priority Partners is a major participant in the Medicaid Health Choice program, providing managed care services on a statewide basis and serving almost one-quarter of the state's MCO population.

III. Staff Review

This contract has been operating under the HSCRC's initial approval in proceeding 2001A. Staff reviewed the operating performance under the contract as well as the terms of the capitation pricing agreement. Staff has analyzed Priority Partner's financial history and net income projections for CY 2009 and CY2010. The statements provided by Priority Partners to staff represent both a stand- alone and "consolidated" view of Priority's operations. The consolidated picture reflects certain administrative revenues and expenses of Johns Hopkins Health Care. Representatives of Priority Partners have indicated that the data reported on JHHC are exclusive to services, revenues, and costs of the MCO. Moreover, when other MCOs are evaluated for financial stability, their administrative costs relative to their MCO business are included as well.

Staff found that Priority Partners (consolidated) financial performance was favorable in CY 2008 and is expected to continue to be favorable in CY 2009, although profits are expected to

decline in CY 2009 and rebound in CY 2010.

IV. Recommendation

As noted above, Priority Partners has shown favorable financial performance on a consolidated basis in CY 2008. While estimates show that Priority Partners consolidated is expected to generate profits in CY 2009, the margin is expected to decline. Based on information currently available on Medicaid rate setting from CY 2010, Priority Partners (Consolidated) is expecting to show favorable performance in CY 2010.

Therefore, staff makes the following recommendations:

1) That approval be granted for participation in the Medicaid Health Choice Program for a one-year period beginning January 1, 2010 with the understanding that sustained losses over an extended period of time may be construed as a loss contract necessitating termination of this arrangement;

2) That Priority Partners report to Commission staff (on or before the August 2010 public meeting of the Commission) on the actual CY 2009, preliminary CY 2010, and projected CY 2011 financial performance (adjusted for seasonality) of the MCO;

3) Consistent with its policy paper outlining a structure for review and evaluation of applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the continued adherence to the standard Memorandum of Understanding with the Hospitals for the approved contract. This document formalizes the understanding between the Commission and the Hospitals, and includes provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the managed care contract, quarterly and annual reporting, the confidentiality of data

submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU also stipulates that operating losses under managed care contracts may not be used to justify future requests for rate increases.

IN RE: THE APPLICATION FOR	*	**BEFORE THE MARYLAND HEALTH**
ALTERNATIVE METHOD OF RATE	*	**SERVICES COST REVIEW**
DETERMINATION	*	**COMMISSION**
MEDSTAR HEALTH	*	**DOCKET: 2009**
	*	**FOLIO: 1852**
BALTIMORE, MARYLAND	*	**PROCEEDING: 2042A**

Staff Recommendation

September 2, 2009

I. INTRODUCTION

MedStar Health filed an application with the HSCRC on August 17, 2009 on behalf of Union Memorial Hospital and Good Samaritan Hospital (the "Hospitals") to participate in an alternative method of rate determination, pursuant to COMAR 10.37.10.06. Medstar Health requests approval from the HSCRC for continued participation in a global rate arrangement for orthopedic services with MAMSI for a one year period beginning September 1, 2009.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Helix Resources Management, Inc. (HRMI). HRMI will manage all financial transactions related to the global price contract including payments to the Hospitals and bear all risk relating to services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating the mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to HRMI for all contracted and covered services. HRMI is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The Hospitals contend that the arrangement between HRMI and the Hospitals holds the Hospitals harmless from any shortfalls in payment from the global price contract.

V. STAFF EVALUATION

The staff reviewed the experience under this arrangement for the last year and found that it was favorable. The staff believes that the Hospitals can continue to achieve a favorable experience under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission approve the Hospitals' request for continued participation in the alternative method of rate determination for orthopedic services, for a one year period, commencing September 1, 2009. The Hospital will need to file a renewal application for review to be considered for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

IN RE: THE APPLICATION FOR	*	**BEFORE THE MARYLAND HEALTH**	
ALTERNATIVE METHOD OF RATE	*	**SERVICES COST REVIEW**	
DETERMINATION	*	**COMMISSION**	
JOHNS HOPKINS HEALTH	*	**DOCKET:**	**2009**
SYSTEM	*	**FOLIO:**	**1853**
BALTIMORE, MARYLAND	*	**PROCEEDING:**	**2043A**

Staff Recommendation

September 2, 2009

I. INTRODUCTION

Johns Hopkins Health System ("System") filed a renewal application with the HSCRC on August 17, 2009 on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The System requests approval from the HSCRC for continued participation in a global rate arrangement for solid organ and bone marrow transplants with Preferred Health Care LLC and PHC for a period of one year beginning September 1, 2009.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Johns Hopkins HealthCare, LLC ("JHHC"), which is a subsidiary of the System. JHHC will manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the

Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear the risk of potential losses.

V. STAFF EVALUATION

Although, there was no activity under this arrangement in the last year, staff is satisfied that the hospital component of the global prices, which has been updated with current data, is sufficient for the Hospitals to achieve favorable experience under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission approve the Hospitals' application for an alternative method of rate determination for solid organ and bone marrow transplant services, for a one year period commencing September 1, 2008. The Hospital's will need to file a renewal application for review to be considered for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document will formalize the understanding between the Commission and the Hospitals, and will include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

IN RE: THE APPLICATION FOR	*****	**BEFORE THE MARYLAND HEALTH**
ALTERNATIVE METHOD OF RATE	*****	**SERVICES COST REVIEW**
DETERMINATION	*****	**COMMISSION**
JOHNS HOPKINS HEALTH	*****	**DOCKET: 2009**
SYSTEM	*****	**FOLIO: 1854**
BALTIMORE, MARYLAND	*****	**PROCEEDING: 2044A**

Staff Recommendation

September 2, 2009

I. INTRODUCTION

On August 17, 2009, Johns Hopkins Health System ("System") filed a renewal application on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the "Hospitals") requesting approval to continue to participate in an existing global price arrangement with Life Trac (a subsidiary of Allianz Insurance Company of North America) for solid organ and bone marrow transplants. The Hospitals request that the Commission approve the arrangement for one year retroactive to September 1, 2009.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Johns Hopkins HealthCare, LLC ("JHHC"), which is a subsidiary of the System. JHHC will continue to manage all financial transactions related to the global price contract including payments to the System hospitals and to bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates, which was originally developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid, has been adjusted to reflect recent hospital rate increases. The remainder of the global rate is comprised of physician service costs. Additional per diem payments, calculated for cases that exceed a specific length of stay outlier threshold, were similarly adjusted.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payers, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System

contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains that it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear the risk of potential losses.

V. STAFF EVALUATION

The staff found that the actual experience under the arrangement for the last year has been favorable. Staff is satisfied that the hospital component of the global price, which has been updated with current data, is sufficient for the Hospitals to continue to achieve favorable performance under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission approve the Hospitals' application for an alternative method of rate determination for solid organ and bone marrow transplant services for the period beginning September 1, 2009. The Hospitals must file a renewal application annually for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

IN RE: THE ALTERNATIVE	*****	**BEFORE THE HEALTH**	
RATE APPLICATION OF	*****	**SERVICES COST REVIEW**	
MEDSTAR HEALTH	*****	**COMMISSION**	
SYSTEM	*****	**DOCKET:**	**2009**
	*****	**FOLIO:**	**1855**
COLUMBIA, MARYLAND	*****	**PROCEEDING:**	**2045A**

Staff Draft Recommendation

September 2, 2009

I. Introduction

On August 24, 2009, MedStar Health System filed an application for an Alternative Method of Rate Determination pursuant to COMAR 10.37.10.06 on behalf of Franklin Square Hospital, Good Samaritan Hospital, Harbor Hospital, and Union Memorial Hospital (the "Hospitals"). MedStar Health System seeks renewal for the continued participation of MedStar Family Choice in the Medicaid Health Choice Program. MedStar Family Choice is the MedStar entity that assumes the risk under this contract. The Commission most recently approved this contract under proceeding 1992A for the period from January 1, 2009 through December 31, 2009. The Hospitals are requesting to renew this contract for one year beginning January 1, 2010.

II. Background

Under the Medicaid Health Choice Program, MedStar Family Choice, a Managed Care Organization ("MCO") sponsored by the Hospitals, is responsible for providing a comprehensive range of health care benefits to Medical Assistance enrollees. The application requests approval for the Hospitals to provide inpatient and outpatient hospital services, as well as certain non-hospital services, in return for a State-determined capitation payment. MedStar Family Choice pays the Hospitals HSCRC-approved rates for hospital services used by its enrollees. MedStar Family Choice provides services to about 4% of the total number of MCO enrollees in Maryland.

The hospitals supplied information on their most recent experience and their projected revenues and expenditures for the upcoming year based on the revised Medicaid capitation rates.

III. Staff Review

This contract has been operating under previous HSCRC approval (proceeding 1992A).

Staff reviewed the operating performance of the contract as well as the terms of the capitation pricing agreement. The actual financial experience for CY 2008 was favorable; however, estimates reported to staff for CY 2009 show a negative financial outlook. Medstar Family Choice projects that profitability will rebound in CY 2010.

IV. Recommendation

Staff believes that the proposed renewal arrangement is acceptable under Commission policy. However, staff recommends that further periodic monitoring is necessary to ensure that unfavorable financial performance in CY 2009 does not continue into CY 2010. Staff, nonetheless, believes the CY 2010 projections to be reasonable based on the information currently available regarding Medicaid rate setting for CY 2010.

Staff Recommendations:

(1) Staff recommends approval of this alternative rate application for a one-year period beginning January 1, 2010.

(2) Since sustained losses over an extended period of time may be construed as a loss contract necessitating termination of this arrangement, staff will continue to monitor financial performance to determine whether the expected unfavorable financial performance in CY 2009 does not continue into CY 2010.

(3) Staff recommends that MedStar Family Choice report to Commission staff (on or before the August 2010 meeting of the Commission) on actual experience for CY 2009, the preliminary estimates for CY 2010 financial performance (adjusted for seasonality) of the MCO, and projections for CY 2011.

(4) Consistent with its policy paper outlining a structure for review and evaluation

of applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the continued adherence to the standard Memorandum of Understanding with the Hospitals for the approved contract. This document formalizes the understanding between the Commission and the Hospitals, and includes provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the managed care contract, quarterly and annual reporting, the confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU also stipulates that operating losses under managed care contracts may not be used to justify future requests for rate increases.

IN RE: THE ALTERNATIVE	*****	**BEFORE THE HEALTH**	
RATE APPLICATION OF	*****	**SERVICES COST REVIEW**	
MARYLAND GENERAL HOSPITAL	*****	**COMMISSION**	
SAINT AGNES HEALTH	*****	**DOCKET:**	**2009**
WESTERN MARYLAND HEALTH SYSTEM	*****	**FOLIO:**	**1856**
WASHINGTON COUNTY HOSPITAL	*****	**PROCEEDING:**	**2046A**

Staff Draft Recommendation

September 2, 2009

I. Introduction

On August 25, 2009, Maryland General Hospital, Saint Agnes Health System, Western Maryland Health System, and Washington County Hospital (the "Hospitals") filed an application for an Alternative Method of Rate Determination pursuant to COMAR 10.37.10.06. The Hospitals seek renewal for the continued participation of Maryland Physicians Care (MPC) in the Medicaid Health Choice Program. MPC is the entity that assumes the risk under this contract. The Commission most recently approved this contract under proceeding 2003A for the period January 1, 2009 through December 31, 2009. The Hospitals are requesting to renew this contract for one year beginning January 1, 2010.

II. Background

Under the Medicaid Health Choice Program, MPC, a Managed Care Organization ("MCO") sponsored by the Hospitals, is responsible for providing a comprehensive range of health care benefits to Medical Assistance enrollees. The application requests approval for the Hospitals to provide inpatient and outpatient hospital services as well as certain non-hospital services, in return for a State-determined capitation payment. Maryland Physicians Care pays the Hospitals HSCRC-approved rates for hospital services used by its enrollees. Maryland Physicians Care provides services to about 17% of the total number of MCO enrollees in Maryland.

The Hospitals supplied information on their most recent experience and their projected revenues and expenditures for the upcoming year based on the revised Medicaid capitation rates.

III. Staff Review

This contract has been operating under previous HSCRC approval (Proceeding 2003A).

Staff reviewed the operating performance under the contract as well as the terms of the capitation pricing agreement. Staff reviewed financial information and projections for CYs 2008, 2009 and 2010. Over the years, the financial performance of MPC has been primarily favorable with the exception of CY 2004, when the MCO experienced a small loss due to unanticipated hospital inpatient cost increases. The actual experience reported to staff for CY2008 was marginally negative as previously expected; however, MPC profits are expected to improve significantly in CY 2009.

IV. Recommendation

MPC has continued to maintain relatively consistent favorable performance in recent years. Staff believes that the proposed renewal arrangement for MPC is acceptable under Commission policy in that the MCO has been able to sustain reasonable profit margins on an overall basis. Staff will closely monitor actual performance to ensure that the favorable results continue into the future.

Therefore, staff recommends the following:

(1) Staff recommends approval of this alternative rate application for a one-year period beginning January 1, 2010 with the understanding that sustained losses over an extended period of time may be construed as a loss contract necessitating termination of this arrangement.

(2) Staff recommends that Maryland Physicians Care report to Commission staff (on or before the August 2010 meeting of the Commission) on the actual CY 2009 experience and preliminary CY 2010 financial performance (adjusted for seasonality) of the MCO as well as projections for CY 2011.

(3) Consistent with its policy paper outlining a structure for review and evaluation of applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the continued adherence to the standard Memorandum of Understanding with the Hospitals for the approved contract. This document formalizes the understanding between the Commission and the Hospitals, and includes provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the managed care contract, quarterly and annual reporting, the confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU also stipulates that operating losses under managed care contracts may not be used to justify future requests for rate increases.

Health Services Cost Review Commission

Staff Recommendation on the University of Maryland School of Medicine-Baltimore's National Study Center for Trauma and EMS Request to access the HSCRC Confidential Patient Level Data

September 2, 2009

This final recommendation is ready for Commission action.

Health Services Cost Review Commission
September 2, 2009

Recommendation on the University of Maryland School of Medicine- Baltimore's National Study Center for Trauma and EMS Request to access the HSCRC Confidential Patient Level Data.

1. Summary Statement
This is a request from the University Of Maryland School of Medicine ("UM") - Baltimore's National Study Center for Trauma and EMS ("NSC") to access the HSCRC inpatient and outpatient Confidential Data. The purpose of the UM –NSC request is for the data to be used as part of the Crash Outcome Data Evaluation Systems (CODES). The CODES project is funded by the National Highway Traffic Safety Administration for the purpose of making data related to traffic safety and injury available for analysis. **These data will not be used to identify individual hospitals or patients.**

2. Requests for Access to the Confidential Patient Level Data.
All requests for Confidential Data are reviewed by the Health Services Cost Review Commission Confidential Data Review Committee. The Review Committee reviews applications and makes recommendations to the Commission at its monthly public meeting. Applicants requesting access to the confidential data must demonstrate:

1. that the proposed study/ research is in the public interest;
2. that the study/ research design is sound from a technical perspective;
3. that the organization is credible;
4. that the organization is in full compliance with HIPAA, the Privacy Act, Freedom of Information Act, and all other state and federal laws and regulations, including Medicare regulations;
5. that there are adequate data security procedures to ensure protection of patient confidentiality.

The independent Confidential Data Review Committee, comprised of representatives from HSCRC staff and the Department of Health and Mental Hygiene, reviews the application to ensure it meets the above minimum requirements as outlined in the application form. The Applicant is also required to sign a data use agreement for the statewide inpatient and outpatient confidential level data sets format.

In this case, the Confidential Review Committee reviewed the request via conference call and unanimously agreed to recommend access to the confidential data. As a final step in the evaluation process, the Applicant will be required to file annual progress reports to the Commission, detailing any changes in goals or design of project, any changes in data handling procedures, work progress, and unanticipated events related to the confidentiality of the data.

3. Recommendation:
For the application listed, staff recommends that the request for access to the HSCRC confidential data files be approved.

Final Recommendation for an Alternative Method of Financing Board of Public Works Approved Medicaid Day Limits

September 2, 2009

This is a final recommendation and is ready for action by the Commission.

Final Recommendation for an Alternative Method of Financing Board of Public Works Approved Medicaid Day Limits

Introduction

This recommendation relates specifically to action approved by the Maryland Board of Public Works (BPW) at its July 22, 2009 meeting to achieve budget reductions through re-imposition of Medicaid day limits (MDLs) generating reductions of $24.1 million, effective January 1, 2010. In lieu of these MDLs, BPW expressly allowed for an HSCRC alternative approach that would generate approximately $8.9 million in State General Fund savings during FY 2010. This recommendation proposes that alternative approach.

More recently, the BPW approved additional budget reductions, including the imposition of expanded Medicaid day limits (an additional $11.8 million of day limit cuts). Staff is concerned that because the budget situation may well continue to deteriorate, there is a danger that increasingly more onerous Day Limit reductions will be imposed in order to achieve needed budget savings in the future. Passing through additional reductions through an assessment on hospital rates opens the door for continued use of this mechanism. Staff does not believe that continued use of the rate system for this purpose is consistent with the Commission's longstanding mandate that rates be related to costs. Therefore, staff's recommended alternative approach applies only to the July 22 action of the BPW.

Background on Medicaid Day Limits

In past years, during times of severe State budgetary shortfalls, the Department of Health and Mental Hygiene (DHMH) has proposed stop-gap payment reductions as a means of assisting the State in balancing its budget. In fiscal 2004, budget constraints led DHMH to implement hospital day limits for Medicaid enrollees. MDLs cap the number of days that Medicaid will pay for a hospital stay at a percentage of the average length of stay (ALOS) by diagnosis-related group (DRG). A hospital is not paid by Medicaid for additional days beyond this limit.

In December 2003, DHMH proposed regulations to implement MDLs at 95% of ALOS. In response to revised savings estimates and comments on the proposed regulations, DHMH loosened the day limits to 105% of ALOS and specified that the day limits would expire on June 30, 2005. Over this 18 month period, MDLs were expected to reduce State Medicaid expenditures by $30 million. This would also mean that the State would forgo $30 million in federal matching funds.

Under standard HSCRC policy at the time, any uncompensated care (UC) associated with the MDLs would be recognized through the uncompensated care regression over a three year period. Given the scale of the proposed day limits and concerns regarding hospital profitability, the HSCRC in December 2003 amended its uncompensated care policy to allow 80 percent of the uncompensated care costs to be reimbursed up front, with the remaining 20 percent funded in accordance with regular UC policy. The Commission, by regulation, also permitted hospitals

with financial need to seek additional relief through the partial rate application process. These actions mitigated the impact of day limits on hospitals, particularly those hospitals with high proportions of Medicaid patients. Five hospitals were granted relief under these regulations.

Though initially intended to terminate after 18 months, continued budgetary pressures in fiscal 2005 led DHMH to extend MDLs through June 30, 2006, and also to tighten the limits from 105% to 100% of ALOS. In response, the 2005 *Joint Chairmen's Report* stated it was the intent of the budget committees that fiscal 2006 be the final year of hospital day limits as a cost-containment measure. Day limits were loosened from 100% to 105 % of ALOS for the last half of fiscal 2006, but funding to discontinue day limits was not included in the fiscal 2007 budget. Therefore, in June 2006, DHMH submitted regulations to extend day limits through June 30, 2007 – a full two years beyond the termination date included in the original regulations – and to further relax the day limits from 105% to 120% percent of ALOS.

During the summer of 2006, the HSCRC was subject to a Sunset Evaluation conducted by the Department of Legislative Services (DLS). After an in-depth review of the MDL policy, DLS found that, "although Medicaid day limits achieve cost savings to the general fund budget, they increase health care costs in the State and are detrimental to the all-payer system." Therefore, DLS recommended that MDLs not be extended beyond the June 30, 2007 termination date, and that DHMH should work with the Department of Budget and Management to identify alternative savings in the FY 2008 budget. Nonetheless, action taken by the budget conference committees in 2007 extended day limits into FY 2008.

During the 2008 Legislative Session, House Bill 1587 (Chapter 245) was enacted to initiate a uniform, broad-based, and reasonable assessment on hospital rates to reflect the reduction in hospital uncompensated care realized from the expansion of Medicaid eligibility to parents, caretakers, and childless adults with income between 46% and 116% of the federal poverty guidelines. This legislation also discontinued the use of MDLs effective July 1, 2008 and replaced it with a uniform assessment of $19 million to be transferred to the Medical Assistance Program in lieu of 6 months of day limits in FY 2009.

Difficulties Associated with Imposition of Day Limits and HSCRC Response

Each year, the Commission has found that the actual impact of MDLs was greater than the anticipated impact. Therefore, MDLs have shown to be a highly inaccurate method to address DHMH fiscal issues. As illustrated above, the MDLs in a given fiscal year are based on estimates of the average length of stay and utilization by DRG. The HSCRC has worked with the Medicaid program to determine the actual experience. This process has been extremely complicated and difficult to administer. It takes several years before the actual impact can be quantified, and further adjustments are then required to the uncompensated care provision in rates. Also, the re-imposition of day limits raises the specter of day limits becoming an embedded element of the rate system. The State initially designated MDLs as an interim 18 month stop-gap measure. As such, the HSCRC hesitantly agreed to facilitate their imposition by

largely indemnifying hospitals through prospective rate action. Despite the Commission's continued efforts over the years to eliminate MDLs, legislators have continued to propose and enact them to varying degrees. Experience has shown that day limits, once implemented, are very difficult to remove as a budget cutting strategy. Further, when the policy of the Commission is to ensure that hospitals are not impacted on a cash-flow basis by back-filling impacts on uncompensated care, those not adversely affected by the policy (i.e., hospitals) have little incentive to mount significant opposition. On the other hand, those parties most harmed by the imposition of day limits (i.e., Medicare and first party payers) have not exerted sufficient political force to prevent their imposition or effectuate their elimination.

The Centers for Medicare and Medicaid Services (CMS) has indicated to HSCRC staff their opposition to MDLs citing inherent equity issues. Given that one of the two federal tests to retain the Medicare waiver is that it must remain all-payer, Staff remains very concerned about the serious equity implications associated with any re-imposition of day limits and associated HSCRC rate action.

HSCRC Response: Alternative Method for Financing Approved BPW Action

The staff considered an alternative method for financing amounts earmarked for budget reductions to the Medicaid program. As noted above, the last vestige of day limit funding was accomplished in 2009 through the imposition of a small but broad-based and uniform assessment on all hospital rates, which applied to all payers equally. These amounts were then collected by hospitals and transferred to the Medicaid program, along with estimated amounts associated with averted hospital uncompensated care resulting from Medicaid expansion.

DHMH has agreed to this alternative way of implementing July 22, 2009 BPW action through the imposition of a broad-based and uniform assessment to generate an additional $8.9 million in State General Fund savings for Medicaid between Jan 1, 2010 and June 30, 2010 in lieu of day limits. This approach is preferred as alternative to funding the July 22, 200 reductions to MDLs due to the following factors:

- No significant administrative issues;

- The amount of actual savings is known up front rather than waiting several years to obtain data to verify savings and make relevant adjustments to uncompensated care;

- The alternative is broad-based and uniform, payment implications apply to all payers proportionally, and, from a payment standpoint, no payer is advantaged or disadvantaged; and

- This alternative accomplishes the same budgetary result as MDLs without the HSCRC having to administratively react to regulations issued by DHMH.

However, given this more recent expansion of day limits, and given the possibility that future state budget actions will continue to make use of Medicaid day limits to achieve targeted budget

savings, the HSCRC staff strongly opposes the use of an increased hospital assessment to achieve the desired savings beyond the July 22 BPW action. To utilize this mechanism on a repeated basis is tantamount to utilizing the rate setting system as an open-ended taxing mechanism, resulting in higher charges to the paying public. Staff believes that further such action would open the door to the imposition of increasingly more onerous Medicaid Day Limits, repeated increases in hospital assessments which further increase the cost of hospitals services to the paying public.

Staff Recommendation

1. In response to Board of Public Works action of July 22, 2009, staff recommends the imposition of a one-year, broad-based, and uniform hospital assessment in FY 2010 in the amount of $8,897,720, conducted in the same manner as the $19 million assessment that was imposed in FY 2009, in lieu of Medicaid day limits;

2. Instruct hospitals to remit their calculated proportion of the assessment to Medicaid beginning January 1, 2010; and

3. The assessment will terminate June 30, 2010.

4. Staff opposes any further use of this method to achieve savings through budget actions that are adopted by the General Assembly, the Governor, or the Board of Public Works subsequent to those adopted by the Board of Public Works on July 22, 2009.

Draft Recommendation on Handling Charity Care in the Uncompensated Care Provision

Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215
(410) 764-2605

September 2, 2009

This recommendation is a draft proposal. No Commission action is required at this time. Public comments should be sent to Nduka Udom at the above address or by e-mail at ndukau@hscrc.state.md.us. For full consideration, comments should be received by October 2, 2009.

Purpose

The purpose of this recommendation is to incentivize Maryland hospitals to provide more charity care and to appropriately report to the Commission just how much charity care they provide. The problems highlighted by the *Baltimore Sun* articles on Maryland hospitals and uncompensated care prompted the legislature to enact legislation that allows the Commission to establish thresholds higher than 150% of the Federal Poverty Level (FPL) and to take into account patient mix, financial condition, level of bad debt, and level of charity care in establishing those thresholds.

Over the past few months, the Commission staff has been working on a broad range of possible measures that can be used to account for the level of Charity Care in the Uncompensated Care Provision built into rates for Maryland hospitals. Staff completed its work in June 2009.

Model

The model for the Uncompensated Care remains as specified in the current methodology with all its attendant computations. However, the amount of uncompensated care in rates before the 100% Pooling Level is established would be computed as follows:

1. Take the current policy results by hospital and make the charity care adjustments to them (Charity care adjustment is calculated as a fraction of the percent of hospital gross patient revenue that is charity Care); and

2. Calculate the revenue neutrality adjustment as a proportional adjustment to neutralize the impact of the charity care adjustment and adjust the statewide Uncompensated Care Provision to the appropriate level.

Data Analysis and Result

Staff has performed analysis based on the approach described above. The results of this modeling are presented in Tables 1 and 2. The results show that hospitals whose ratio of charity care to current policy results exceeds the statewide ratio will receive positive charity care adjustments while, conversely, hospitals whose ratio of charity care to current policy results is less than the statewide ratio will receive negative charity care adjustments.

Recommendation

The staff recommends that the Commission change its method for calculating prospective levels of uncompensated care for Maryland hospitals by adding the charity care adjustments to the existing methodology. The new method would be effective July 1, 2010 (rate year 2011) and will use data submitted for fiscal year 2009.

Table 1
Difference Between Current Policy and Proposed Policy Results for FY 2011

Hospid	Hospital Name	Actual UCC	Percent of Gross Patient Revenue that is Charity Care	Current Policy Results	Proposed Policy Results	Difference	Ratio of charity care to Current Policy Result	Proposed greater than current policy result
210017	Garrett County Memorial Hospital	9.30%	5.47%	7.71%	8.31%	0.61%	71.01%	1
210029	Johns Hopkins Bayview Med. Center	9.36%	5.16%	8.87%	9.35%	0.48%	58.20%	1
210018	Montgomery General Hospital	5.55%	3.92%	6.72%	7.09%	0.37%	58.23%	1
210011	St. Agnes Hospital	6.24%	3.53%	7.16%	7.43%	0.27%	49.25%	1
210001	Washington County Hospital	7.99%	3.55%	7.42%	7.68%	0.26%	47.79%	1
210027	Braddock Hospital	4.75%	2.41%	4.75%	4.94%	0.19%	50.77%	1
210002	Univ. of Maryland Medical System	9.48%	3.75%	9.71%	9.88%	0.17%	38.59%	1
210045	McCready Foundation, Inc.	10.27%	3.39%	8.93%	9.07%	0.14%	38.00%	1
210057	Shady Grove Adventist Hospital	6.66%	2.84%	7.63%	7.74%	0.11%	37.29%	1
210025	The Memorial Hospital	5.48%	2.25%	5.64%	5.75%	0.11%	39.91%	1
210033	Carroll County General Hospital	5.64%	2.32%	5.91%	6.02%	0.11%	39.19%	1
210004	Holy Cross Hospital of Silver Spring	7.37%	2.46%	6.85%	6.94%	0.08%	35.88%	1
210009	Johns Hopkins Hospital	6.08%	2.25%	6.22%	6.30%	0.08%	36.20%	1
210016	Washington Adventist Hospital	9.98%	2.90%	8.60%	8.67%	0.07%	33.69%	1
210019	Peninsula Regional Medical Center	6.50%	2.16%	6.11%	6.18%	0.07%	35.26%	1
210028	St. Marys Hospital	6.29%	2.62%	7.75%	7.81%	0.06%	33.79%	1
210024	Union Memorial Hospital	6.93%	2.27%	6.66%	6.72%	0.06%	34.17%	1
210008	Mercy Medical Center, Inc.	7.41%	2.56%	7.77%	7.83%	0.05%	32.94%	1
210007	St. Josephs Hospital	3.36%	1.06%	3.27%	3.28%	0.02%	32.48%	1
210022	Suburban Hospital Association,Inc	5.04%	1.55%	5.12%	5.12%	0.01%	30.34%	1
210013	Bon Secours Hospital	17.08%	4.64%	15.74%	15.75%	0.00%	29.47%	1
210005	Frederick Memorial Hospital	5.62%	1.86%	6.35%	6.35%	-0.00%	29.23%	0
210015	Franklin Square Hospital	8.09%	2.51%	8.56%	8.56%	-0.00%	29.28%	0
210030	Chester River Hospital Center	11.90%	2.31%	8.28%	8.25%	-0.02%	27.86%	0
210040	Northwest Hospital Center, Inc.	7.97%	2.20%	8.07%	8.04%	-0.03%	27.22%	0
210023	Anne Arundel General Hospital	4.68%	1.12%	4.77%	4.71%	-0.05%	23.50%	0
210012	Sinai Hospital	8.03%	1.91%	7.60%	7.54%	-0.06%	25.15%	0
210056	Good Samaritan Hospital	5.80%	1.41%	5.98%	5.91%	-0.07%	23.53%	0
210061	Atlantic General Hospital	5.48%	1.36%	5.97%	5.90%	-0.08%	22.70%	0
210044	Greater Baltimore Medical Center	2.81%	0.39%	3.41%	3.29%	-0.12%	11.38%	0
210039	Calvert Memorial Hospital	5.72%	1.24%	6.64%	6.50%	-0.13%	18.65%	0
210049	Upper Chesepeake Medical Center	5.90%	1.00%	6.14%	5.98%	-0.15%	16.32%	0
210043	North Arundel General Hospital	7.94%	1.33%	7.83%	7.65%	-0.18%	17.01%	0
210037	Memorial Hospital at Easton	5.71%	0.60%	5.92%	5.71%	-0.21%	10.21%	0
210034	Harbor Hospital Center	8.94%	1.75%	9.87%	9.66%	-0.22%	17.76%	0
210048	Howard County General Hospital	5.21%	0.66%	6.22%	5.99%	-0.22%	10.56%	0
210032	Union Hospital of Cecil County	7.76%	1.09%	8.28%	8.02%	-0.25%	13.15%	0
210035	Civista Medical Center	7.43%	0.78%	7.28%	7.02%	-0.26%	10.75%	0
210010	Dorchester General Hospital	5.97%	1.06%	8.41%	8.14%	-0.27%	12.55%	0
210006	Harford Memorial Hospital	11.95%	1.40%	9.59%	9.32%	-0.27%	14.54%	0
210058	James Lawrence Kernan Hospital	6.22%	0.50%	6.58%	6.31%	-0.27%	7.60%	0
210054	Southern Maryland Hospital	9.49%	0.68%	8.47%	8.12%	-0.34%	8.04%	0
210060	Fort Washington Medical Center	14.20%	1.40%	11.78%	11.39%	-0.39%	11.85%	0
210051	Doctors Community Hospital	10.88%	0.43%	9.84%	9.38%	-0.47%	4.36%	0
210038	Maryland General Hospital	12.71%	0.78%	12.56%	12.01%	-0.55%	6.23%	0
210055	Laurel Regional Hospital	12.63%	0.28%	11.27%	10.70%	-0.57%	2.50%	0
210003	Prince Georges Hospital	14.93%	0.61%	14.19%	13.51%	-0.67%	4.31%	0
	STATE-WIDE	7.39%	2.17%	7.39%	7.39%	-0.00%	29.41%	

Table 2

Policy Results from the Regression, Charity Care Adjustment and Revenue Neutrality Adjustment for FY 2011

Hospid	Hospital Name	UCC in Rates	Actual UCC	Predicted UCC	FY '06 - FY '08 UCC AVERAGE	50/ 50 BLENDED UCC AVERAGE	Revenue Neutrality Adjustment	Current Policy Results	Percent of Gross Patient Revenue that is Charity Care	Charity Care Adjustment	Preliminary Policy Results	Proposed Policy Results
1	2	3	4	5	6	7 = (Col 5 + Col 6)*0.5	8	9 = (Col 7 + Col 8)	10	11 = (Col 10*0.2)	12 = (Col 9 + Col 11)	13
210001	Washington County Hospital	6.67%	7.99%	7.24%	7.51%	7.38%	0.05%	7.42%	3.55%	0.71%	8.13%	7.68%
210002	Univ. of Maryland Medical System	8.69%	9.48%	9.65%	9.67%	9.66%	0.05%	9.71%	3.75%	0.75%	10.46%	9.88%
210003	Prince Georges Hospital	13.35%	14.93%	14.05%	14.22%	14.14%	0.05%	14.19%	0.61%	0.12%	14.31%	13.51%
210004	Holy Cross Hospital of Silver Spring	6.43%	7.37%	6.85%	6.76%	6.80%	0.05%	6.85%	2.46%	0.49%	7.34%	6.94%
210005	Frederick Memorial Hospital	5.62%	5.62%	7.02%	5.59%	6.31%	0.05%	6.35%	1.86%	0.37%	6.73%	6.35%
210006	Harford Memorial Hospital	8.24%	11.95%	8.71%	10.38%	9.55%	0.05%	9.59%	1.40%	0.28%	9.87%	9.32%
210007	St. Josephs Hospital	2.81%	3.36%	3.46%	2.97%	3.22%	0.05%	3.27%	1.06%	0.21%	3.48%	3.28%
210008	Mercy Medical Center, Inc.	7.79%	7.41%	7.56%	7.89%	7.73%	0.05%	7.77%	2.56%	0.51%	8.29%	7.83%
210009	Johns Hopkins Hospital	5.65%	6.08%	6.41%	5.94%	6.18%	0.05%	6.22%	2.25%	0.45%	6.67%	6.30%
210010	Dorchester General Hospital	8.25%	5.97%	9.38%	7.34%	8.36%	0.05%	8.41%	1.06%	0.21%	8.62%	8.14%
210011	St. Agnes Hospital	7.07%	6.24%	7.62%	6.62%	7.12%	0.05%	7.16%	3.53%	0.71%	7.87%	7.43%
210012	Sinai Hospital	7.06%	8.03%	7.13%	7.98%	7.55%	0.05%	7.60%	1.91%	0.38%	7.98%	7.54%
210013	Bon Secours Hospital	13.68%	17.08%	16.33%	15.06%	15.70%	0.05%	15.74%	4.64%	0.93%	16.67%	15.75%
210015	Franklin Square Hospital	7.93%	8.09%	8.75%	8.28%	8.51%	0.05%	8.56%	2.51%	0.50%	9.06%	8.56%
210016	Washington Adventist Hospital	7.29%	9.98%	7.63%	9.48%	8.56%	0.05%	8.60%	2.90%	0.58%	9.18%	8.67%
210017	Garrett County Memorial Hospital	8.08%	9.30%	7.82%	7.50%	7.66%	0.05%	7.71%	5.47%	1.09%	8.80%	8.31%
210018	Montgomery General Hospital	6.03%	5.55%	7.05%	6.30%	6.68%	0.05%	6.72%	3.92%	0.78%	7.51%	7.09%
210019	Peninsula Regional Medical Center	5.56%	6.50%	5.88%	6.25%	6.07%	0.05%	6.11%	2.16%	0.43%	6.54%	6.18%
210022	Suburban Hospital Association,Inc	4.71%	5.04%	5.30%	4.83%	5.07%	0.05%	5.12%	1.55%	0.31%	5.43%	5.12%
210023	Anne Arundel General Hospital	4.36%	4.68%	4.85%	4.59%	4.72%	0.05%	4.77%	1.12%	0.22%	4.99%	4.71%
210024	Union Memorial Hospital	6.33%	6.93%	6.09%	7.13%	6.61%	0.05%	6.66%	2.27%	0.45%	7.11%	6.72%
210025	The Memorial Hospital	4.86%	5.48%	6.09%	5.09%	5.59%	0.05%	5.64%	2.25%	0.45%	6.09%	5.75%
210027	Braddock Hospital	4.06%	4.75%	4.79%	4.61%	4.70%	0.05%	4.75%	2.41%	0.48%	5.23%	4.94%
210028	St. Marys Hospital	6.51%	6.29%	9.69%	5.71%	7.70%	0.05%	7.75%	2.62%	0.52%	8.27%	7.81%
210029	Johns Hopkins Bayview Med. Center	8.68%	9.36%	8.27%	9.37%	8.82%	0.05%	8.87%	5.16%	1.03%	9.90%	9.35%
210030	Chester River Hospital Center	7.39%	11.90%	5.77%	10.68%	8.23%	0.05%	8.28%	2.31%	0.46%	8.74%	8.25%
210032	Union Hospital of Cecil County	7.89%	7.76%	8.88%	7.57%	8.23%	0.05%	8.28%	1.09%	0.22%	8.49%	8.02%
210033	Carroll County General Hospital	5.17%	5.64%	6.87%	4.86%	5.87%	0.05%	5.91%	2.32%	0.46%	6.38%	6.02%
210034	Harbor Hospital Center	9.05%	8.94%	10.57%	9.08%	9.83%	0.05%	9.87%	1.75%	0.35%	10.23%	9.66%
210035	Civista Medical Center	6.10%	7.43%	8.58%	5.88%	7.23%	0.05%	7.28%	0.78%	0.16%	7.43%	7.02%
210037	Memorial Hospital at Easton	5.92%	5.71%	6.62%	5.14%	5.88%	0.05%	5.92%	0.60%	0.12%	6.05%	5.71%
210038	Maryland General Hospital	11.59%	12.71%	13.21%	11.82%	12.51%	0.05%	12.56%	0.78%	0.16%	12.72%	12.01%
210039	Calvert Memorial Hospital	6.14%	5.72%	7.44%	5.74%	6.59%	0.05%	6.64%	1.24%	0.25%	6.89%	6.50%
210040	Northwest Hospital Center, Inc.	7.30%	7.97%	8.17%	7.88%	8.03%	0.05%	8.07%	2.20%	0.44%	8.51%	8.04%
210043	North Arundel General Hospital	6.73%	7.94%	8.08%	7.48%	7.78%	0.05%	7.83%	1.33%	0.27%	8.10%	7.65%
210044	Greater Baltimore Medical Center	2.54%	2.81%	4.03%	2.69%	3.36%	0.05%	3.41%	0.39%	0.08%	3.49%	3.29%
210045	McCready Foundation, Inc.	6.84%	10.27%	9.66%	8.10%	8.88%	0.05%	8.93%	3.39%	0.68%	9.61%	9.07%
210048	Howard County General Hospital	5.73%	5.21%	7.09%	5.25%	6.17%	0.05%	6.22%	0.66%	0.13%	6.35%	5.99%
210049	Upper Chesepeake Medical Center	5.47%	5.90%	6.60%	5.57%	6.09%	0.05%	6.14%	1.00%	0.20%	6.34%	5.98%
210051	Doctors Community Hospital	8.25%	10.88%	9.99%	9.61%	9.80%	0.05%	9.84%	0.43%	0.09%	9.93%	9.38%
210054	Southern Maryland Hospital	7.39%	9.49%	8.23%	8.61%	8.42%	0.05%	8.47%	0.68%	0.14%	8.60%	8.12%
210055	Laurel Regional Hospital	11.07%	12.63%	10.69%	11.76%	11.22%	0.05%	11.27%	0.28%	0.06%	11.33%	10.70%
210056	Good Samaritan Hospital	5.72%	5.80%	5.97%	5.90%	5.93%	0.05%	5.98%	1.41%	0.28%	6.26%	5.91%
210057	Shady Grove Adventist Hospital	6.60%	6.66%	7.97%	7.18%	7.58%	0.05%	7.63%	2.84%	0.57%	8.19%	7.74%
210058	James Lawrence Kernan Hospital	6.30%	6.22%	2.37%	6.58%	6.58%	0.00%	6.58%	0.50%	0.10%	6.68%	6.31%
210060	Fort Washington Medical Center	9.60%	14.20%	10.17%	13.30%	11.74%	0.05%	11.78%	1.40%	0.28%	12.06%	11.39%
210061	Atlantic General Hospital	5.64%	5.48%	6.27%	5.58%	5.93%	0.05%	5.97%	1.36%	0.27%	6.25%	5.90%
	STATE-WIDE	6.74%	7.39%	7.45%	7.21%	7.35%	0.05%	7.39%	2.17%	0.43%	7.83%	7.39%

TO: **Commissioners**

FROM: **Legal Department**

DATE: **August 28, 2009**

SUBJECT: **Hearing and Meeting Schedule**

Public Session

October 14, 2009	**Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room**
November 4, 2009	**Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room**

Please note, Commissioner packets will be available in Commission offices at 8:00 a.m.

The agenda for the Executive and Public Sessions will be available for your review on the Commission's Web Site, on the Monday before the Commission Meeting. To review the agenda, visit the Commission's web site at http://www.hscrc.state.md.us