STATE OF MARYLAND

HEALTH SERVICES COST REVIEW COMMISSION
4160 PATTERSON AVENUE, BALTIMORE, MARYLAND 21215
Phone: 410-764-2605 · Fax: 410-358-6217
Toll Free: 1-888-287-3229
www.hscrc.state.md.us

476th MEETING OF THE HEALTH SERVICES COST REVIEW COMMISSION

March 2, 2011

EXECUTIVE SESSION
10:00

1. **Budgetary Matters *vis-a-vis* Waiver Implications**

PUBLIC SESSION
10:15 a.m.

1. **Review of the Executive Session and Public Meeting Minutes of February 10, 2011**
2. **Executive Director's Report**
3. **Docket Status – Cases Closed**
   2096N – Maryland General Hospital
   2102N – Washington Adventist Hospital
   2103N – Washington Adventist Hospital
   2104N – Adventist Behavioral Health
   2105N – Adventist Behavioral Health
4. **Docket Status – Cases Open**
   2106A – Johns Hopkins Health Care
   2107A – Helix Resource Management
5. **Final Recommendation on Including Osteopathic Residents under Graduate Medical Education Methodology**
6. **Discussion on Maryland State Budget and Update Factor Issues**
   * *Agenda item #6 online sign-up sheet*
7. **Hearing and Meeting Schedule**

IN RE: THE APPLICATION FOR	*	**BEFORE THE MARYLAND HEALTH**	
ALTERNATIVE METHOD OF RATE	*	**SERVICES COST REVIEW**	
DETERMINATION	*	**COMMISSION**	
JOHNS HOPKINS HEALTH	*	**DOCKET:**	**2011**
SYSTEM	*	**FOLIO:**	**1916**
BALTIMORE, MARYLAND	*	**PROCEEDING:**	**2106A**

Amended Staff Recommendation

March 2, 2011

I. INTRODUCTION

Johns Hopkins Health System (“System”) filed an application with the HSCRC on January 31, 2011 on behalf of Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center (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 a global rate arrangement for certain cardiovascular procedures with Quality Health Management for a period of one year beginning February 1, 2011.

II. OVERVIEW OF APPLICATION

The contract will 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 Hospital and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the new global rates was developed by calculating mean historical charges for patients receiving live donor kidney transplants at the Hospitals. 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 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

Since the format utilized to calculate the case rate, i.e., historical data for like cases, has been utilized as the basis for other successful cardiovascular arrangements in which the Hospitals are currently participating, staff believes that the Hospitals can achieve a favorable experience under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that: 1) the Commission waive the requirement that an application for an alternative rate application be filed at least 30 days before the proposed effective date of the alternative rate (COMAR 10.37.10.06), and 2) the Commission approve the Hospitals' application for an alternative method of rate determination for certain cardiovascular procedures, for a one year period commencing February 1, 2011. 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**
MEDSTAR HEALTH	*	**DOCKET: 2011**
	*	**FOLIO: 1917**
BALTIMORE, MARYLAND	*	**PROCEEDING: 2107A**

Staff Recommendation

March 2, 2011

I. INTRODUCTION

MedStar Health filed an application with the HSCRC on February 3, 2011 on behalf of Union Memorial Hospital (the "Hospital") for an alternative method of rate determination (ARM), pursuant to COMAR 10.37.10.06. MedStar requests approval from the HSCRC to participate in a global rate arrangement for orthopedic services with the NFL Player Joint Replacement Benefit Plan (the "NFL Plan") for a one year period beginning March 1, 2011, with an option to seek renewal based upon favorable performance.

This arrangement was originally approved by the Commission at its December 5, 2007 public meeting for one year and subsequently re-approved in 2008 and 2009 with the approval expiring on December 1, 2010. While there has never been any activity, the NFL Plan and the Hospital wish to maintain the arrangement.

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 Hospital 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 all patients receiving the procedures for which global rates are to be paid. The negotiated rates are comparable to another joint replacement ARM already approved by the HSCRC. The NFL Plan agreement does not include the more costly procedures to replace prior joint replacements. In addition, the agreement does not include the post-acute rehabilitation normally included in joint replacement global pricing. The remainder of the global rate is comprised of physician service costs.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospital 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 Hospital at its full HSCRC approved rates, and reimbursing the physicians. The Hospital contends that the arrangement between HRMI and the Hospital holds the Hospital harmless from any shortfalls in payment from the global price contract.

V. STAFF EVALUATION

The staff believes that the hospital component of the global rate is reasonably related to historical experience. Staff has noted that the NFL Plan agreement has a more narrower definition of the episode of care covered under the global rates than other similar ARM arrangements. In addition, staff found that the Hospital and HRMI have a favorable history of managing joint replacement patients and performing under a global rate arrangement. The physicians' professional components of the proposed rates follow historical fee for service averages and are closely related to the professional components of the Hospital's similar global arrangement involving orthopedic surgery.

VI. STAFF RECOMMENDATION

Although there has been no activity, staff still believes that the Hospital can achieve favorable performance under this arrangement. Therefore, staff recommends that: 1) the Commission waive the requirement for an alternative rate application to be filed at least 30 days before the proposed effective date of the alternative rate, and 2) the Commission approve the Hospital's request for participation in the alternative method of rate determination for orthopedic services for a one year period, commencing March 1, 2011. 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 Hospital for the approved contract. This document would formalize the understanding between the Commission and the Hospital, 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.

DESCRIPTION OF SERVICES TO BE PROVIDED

Orthopedic Procedures:

- Total Hip Replacement - DRG 544
- Total Knee Replacement – DRG 544
- Total Shoulder Replacement - DRG 491

Staff Recommendation

March 2, 2011

The Commission staff recommends a revision to the Accounting and Budget Manual for the inclusion of Osteopathic residents in the cost of professional medical education in the HSCRC Annual Cost Report. This revision will bring the HSCRC methodology into agreement with Medicare regulations.

8240 POSTGRADUATE MEDICAL EDUCATION - TEACHING PROGRAM
8241 Approved Teaching Program
8242 Non-Approved Teaching Program

Function

A postgraduate Medical Education Teaching Program provides an organized program of postgraduate medical clinical education to interns and residents. To be approved, a medical internship or residency training program must be approved by the Council on Medical Education of the American Medical Association, by the Council on Dental Education of the American Dental Association, by the Council on Podiatry Education of the American Podiatry Association, or by the Committee on Hospitals of the Bureau of Professional Education of the American Osteopathic Association. Additional activities include, but are not limited to the following:

Selecting qualified students; providing education in theory and practice conforming to approved standards; maintaining student personnel records; counseling of students regarding professional, and educational problems; and assigning and supervising students.

Description

This cost center shall be used to record the direct expenses incurred in providing an approved organized program of postgraduate medical clinical education. Included as direct expenses are: salaries and wages, employee benefits, professional fees, supplies, purchased services. Other direct expenses and transfers. All salaries and stipends paid to interns and residents in approved and non-approved teaching programs must be reflected in this cost center, in the "Salaries and Wages" natural expense classification (.07).

Standard Unit of Measure: Number of FTE Students

The number of FTE students in Postgraduate Medical Education Program is defined as the sum of the actual individual contracted residents and interns multiplied by the percentage of the Base Year that the residents and interns worked at the hospital. Residents and interns are to be reported in two categories: eligible, all authorized interns and residents prior to the first year of their first general specialty board eligibility, up to a maximum of five years, and who are not able to practice their specialty and ineligible, residents after the first year of their first general specialty board eligibility, who can practice their specialty or have been out of medical school more than 5 years.

Data Source

The number of FTE students in the educational program shall be the actual count maintained by the program or general accounting.

Reporting Schedule

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STATE OF MARYLAND
DEPARTMENT OF HEALTH AND MENTAL HYGIENE

Frederick W. Puddester
Chairman

Kevin J. Sexton
Vice Chairman

Joseph R. Antos, Ph.D.

George H. Bone, M.D.

C. James Lowthers

Herbert S. Wong, Ph.D.

Robert Murray
Executive Director

Stephen Ports
Principal Deputy Director
Policy & Operations

Gerard J. Schmith
Deputy Director
Hospital Rate Setting

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TO: Commissioners

FROM: Legal Department

DATE: March 2, 2011

RE: Hearing and Meeting Schedule

Public Session:

April 13, 2011	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
May 4, 2011	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

The Agenda for the Executive and Public Sessions will be available for your review on the Commission's website on the Thursday before the Commission meeting. To review the Agenda, visit the Commission's website at:
http://www.hscrc.state.md.us/commissionMeetingSchedule.cfm

Post-meeting documents will also be available on the Commission's website, by the close of business, on the Friday following the Commission meeting.