Executive Session Minutes
Of the
Health Services Cost Review Commission

April 10, 2013

Upon motion made, Chairman Colmers called the meeting to order at 12:21 p.m.

The meeting was held under the authority of Section 10-508 of the State-Government Article.

In attendance, in addition to Chairman Colmers, were Commissioners Bone, Jencks, Keane, Loftus, Mullen and Wong.

Patrick Redmon, Steve Ports, Mary Pohl, Jerry Schmith, and Dennis Phelps attended representing staff.

Also attending were Joshua Sharfstein, Secretary of the Department of Health and Mental Hygiene, Patrick Dooley, the Secretary's Chief of Staff, as well as Leslie Schulman and Stan Lustman, Commission Counsel.

Item One

Chairman Colmers and Secretary Sharfstein discussed with the Commissioners the process, as well as some of the tasks and challenges facing the Commission in conjunction with a modernized waiver.

Item Two

The Commissioners discussed the Comfort Order process moving forward in light of the waiver modernization process.

The Executive Session was adjourned at 1:06 p.m.

MINUTES OF THE
496th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

April 10, 2013

Chairman John Colmers called the meeting to order at 1:10 p.m. Commissioners George H. Bone, M.D., Stephen F. Jencks, M.D., M.P.H., Jack C. Keane, Thomas R. Mullen, Bernadette C. Loftus, M.D., and Herbert S. Wong, Ph.D. were also present.

REPORT OF THE EXECUTIVE SESSION OF APRIL 10, 2013

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the April 10, 2013 Executive Session.

ITEM I
REVIEW OF THE MINUTES OF THE EXECUTIVE SESSIONS OF FEBRUARY 6, 14, AND 21, and March 6, 2013 AND THE PUBLIC MEETING OF FEBRUARY 6, 2013

The Commission voted unanimously to approve the minutes of the February 6, 14, 21, and March 6, 2013 Executive Sessions and the Public Meeting of February 6, 2013.

ITEM II
COMFORT ORDER – MEDSTAR HEALTH

The Commission voted unanimously to ratify the Comfort Order for MedStar Health approved in the Executive Session of March 6, 2013.

ITEM III
EXECUTIVE DIRECTOR'S REPORT

Patrick Redmon, Ph.D., Executive Director, reported that Monitoring Maryland Performance (MMP) indicated that the rate of growth in charge per case (CPC) decreased by 0.60% for the month of February 2013 versus February 2012. For the twelve months ending February 2013 versus the same period in 2012, CPC decreased 0.73%; inpatient revenue decreased 4.18%; the number of inpatient cases declined by 3.68%; outpatient revenue increased 12.75%; total gross revenue increased 1.89%, and for the twelve months ending February 2013 versus the same period in 2012, total gross revenue increased 1.42%.

Dr. Redmon stated that for the fiscal year-to-date ending February 2013, average operating profits for acute care hospitals was 0.85%. Dr. Redmon noted that according to hospital

representatives, an important factor to consider when looking at these operating profit numbers is that they may be overstated because they include funds from the Centers for Medicare and Medicaid Services' (CMS) Meaningful Use program.

Dr. Redmon noted that the Governor submitted the State's Model Demonstration proposal to the federal government on March 26, 2013. Dr. Redmon added that discussions with the Centers for Medicare and Medicaid Innovation (CMMI) concerning the Demonstration proposal continue.

Dr. Redmon announced that we will need to prepare for implementation of the new waiver in January 2014. This will require input from all constituents, representatives of hospitals, payers, staff, and the Department of Health and Mental Hygiene. In the next two weeks, a number of small work groups will be formed with defined tasks to focus on and prioritize the initiatives and policies necessary to implement the modernized waiver. These work groups will lay the groundwork for broader policy discussion before the Commission.

New Staff Members

Dr. Redmon introduced two new staff members, Elsa Hale and Erika McGowen. Ms. Hale is joining the staff as a Chief II for Quality Analysis. Ms. Hale has over ten years experience as an epidemiologist. Most recently, she was a Division Chief with the Department of Health and Mental Hygiene at the Division of Injury Epidemiology and Surveillance. Ms. Hale is a graduate of the University of Minnesota with a B.S. in Genetics/Cell Biology and a Masters Degree in Epidemiology from George Washington University.

Ms. McGowen is joining the staff as a Rate Analyst II. Ms. McGowen is a graduate of the University of Maryland-Baltimore County with a B.A. in Health Administration and Policy. Prior to joining the HSCRC, Ms. McGowen worked at Northrop Grumman in the Health IT division.

ITEM IV
PROCESS FOR FY 2014 UPDATE FACTOR DISCUSSIONS

Dr Redmon stated that since the effective date of the new waiver, if approved, will be January 1, 2014, staff will propose that an update factor with minimum policy changes be set for a "stub period," July 1, 2013 through December 31, 2013 under the current waiver. The first payment work group meeting will be held on April 19, 2013. Discussions will continue during May, with a draft recommendation presented at the June public meeting and a final recommendation at the July public meeting.

ITEM V
DOCKET STATUS CASES CLOSED

2168R – Garrett County Memorial Hospital 2193R – Adventist Behavioral Health

2200A – MedStar Health 2203N – Washington Adventist Hospital

ITEM VI
DOCKET STATUS CASES OPEN

University of Maryland Medical Center - 2201A

The University of Maryland Medical Center ("the Hospital") filed an application with the HSCRC on March 1, 2013 for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The Hospital requests approval from the HSCRC to continue to participate in a global rate arrangement for solid organ and blood and bone marrow transplant services with LifeTrac, Inc. Network for a period of one year, effective April 1, 2013.

Staff recommends that the Commission approve the Hospital's application. 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.

The Commission voted unanimously to approve staff's recommendation.

University of Maryland Medical Center – 2202A

On March 1, 2013, the University of Maryland Medical Center ("UMMC," or the "Hospital") filed an application with the Commission for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The Hospital has requested approval to continue to participate in a global rate arrangement with the Gift of Life Foundation (GOL) for the collection of bone marrow and peripheral blood stem cells from GOL on an outpatient basis, donors to facilitate Hematopoietic Stem Cell transplants into unrelated GOL recipients. The Hospital seeks approval of the arrangement for one year beginning April 1, 2013.

After reviewing the revised global rates and recognizing the efforts to reduce hospital charges through utilization reduction, staff recommends that the Commission approve the Hospital's application.

The Commission voted unanimously to approve staff's recommendation.

Extension

Staff requested a 30 day extension in the time to review proceeding 2205N – Harbor Hospital Center.

The Commission voted unanimously to approve staff's recommendation.

Staff Update – Adventist Behavioral Health – 2193R

As directed by the Commission, Jerry Schmith, Deputy Director-Hospital Rate Setting, advised the Commission of the uncompensated care (UCC) provision determined by staff to be appropriate for inclusion in the rates of Adventist Behavioral Health resulting from its full rate application approved at the February 6, 2013 public meeting. An increase in UCC was necessitated by the elimination of Purchase of Care funds provided by the State's Mental Hygiene Administration for the treatment of uninsured patients directed to the Hospital. The UCC provision determined to be appropriate by staff was 14.77%. This increase in the UCC provision, coupled with an increase in the reimbursement rate from the Medicaid program for its patients, will result in an additional increase in the Hospital's rates of 7.05% beyond the 4.33% previously approved by the Commission.

ITEM VII
DRAFT RECOMMENDATION FOR ADDRESSING FEDERAL SEQUESTRATION

Dr. Redmon summarized staff's draft recommendation for addressing federal sequestration (see "Impact of Sequestration and Options for the HSCRC – Draft Recommendation" on the HSCRC's website).

Staff's proposed recommendations were to: 1) make no change to hospital rates for fiscal year 2013; and 2) consider total revenue needs for hospitals, including the impact of sequestration, as part of the stub-period update factor discussions, assuming approval of the proposed demonstration model submitted to CMS/CMMI.

A panel consisting of Michael Robbins, Senior Vice President of the Maryland Hospital Association (MHA), Robert Crencik, President & CEO of the University of Maryland Medical System (UMMS), Stuart Erdman, Senior Director of Finance & Assistant Treasurer of the Johns Hopkins Health System (JHHS), and Bob Reilly, Chief Financial Officer of the Anne Arundel Health System (AAHS), presented comments on staff's draft recommendation.

Mr. Robbins requested on behalf of the hospital industry that the Commission take emergency action to include the full impact of sequestration into hospital rates immediately (see "MHA's Position on Sequester Action by the Health Services Cost Review Commission" on the HSCRC's website). According to Mr. Robbins, the effect of doing nothing would negatively impact already hospitals' already deteriorating operating margins. Mr. Robbins stated that the hospital industry would be happy to revisit this issue as part of the update factor for FY 2014.

Mr. Chrencik stated that the operating margins of the UMMS have dropped from 3% down to 1%. According to Mr. Chrencik, the difficult issue is unfunded inflation as a result of the low updates factors provided to hospitals. If you go back over the last four years and you accumulate the total unfunded inflation, it is about 5%. The deterioration in operating margins is now

beginning to affect access to capital. In addition, the new waiver will require Maryland hospitals to transform the way they do business. A key ingredient in making that happen will be acquiring new costly information technology (IT). The cash flow needed to purchase such equipment comes from operating margins. The industry needs the Commission's help by fully funding the sequestration to bolster hospitals' bottom lines before they are submitted to the bond rating agencies.

Mr. Reilly stated that in spite of the fact that Anne Arundel Medical Center (AAMC) has diligently worked to control non-salary costs over the last three years, AAMC's operating margin February year-to-date was 0.0%, and total margin was 0.9%. Because of sequestration AAMC may now be forced to reduce its workforce. Mr. Reilly urged the Commission to consider fully funding the sequestration revenue reduction immediately.

Mr. Erdman noted that Maryland hospitals are in a capital replacement cycle, replacing old buildings and acquiring costly IT systems at a time when hospitals are not getting revenue increases that even cover inflation. Bond rating agencies are not only watching Maryland hospitals closely, but they are also watching the HSCRC because of the waiver application and the low update factors. They are only concerned with the bottom line. Mr. Erdman also urged the Commission to consider fully funding the sequestration revenue reduction immediately.

John Hamper, Director-Provider Reimbursement of CareFirst of Maryland (CareFirst), stated that although CareFirst appreciates the hospitals position on profitability in regard to sequestration CareFirst does not consider this to be the vehicle or the time to make an adjustment. Sequestration is the federal government's attempt to reduce spending across the board. Any action that the Commission takes to dilute that savings would be inappropriate given the fact that we are negotiating the new waiver. Mr. Hamper, on behalf of CareFirst, urged the Commission to take no action on sequestration at this time.

Gary Simmons, Regional Vice President of United HealthCare (United), expressed support for CareFirst's position not to act on sequestration at this time. Mr. Simmons suggested that the appropriate time to address the sequestration issue is during the update factor process.

Chairman Colmers noted that if the payers' concern is harming Medicare, there are other ways to handle the sequestration, for instance increasing Medicare's differential. This would make hospitals whole; Medicare would receive its full savings, and the decrease in Medicare payments would be borne by all the other payers.

Commissioner Mullen in noting that, based on MHA and HSCRC, hospital revenue growth is at an all time low at 1%, asked whether CareFirst and United haven't, in fact, benefited.

Mr. Simmons pointed out that reductions in medical expenses reduce premiums and ultimately benefit the purchasers of healthcare coverage.

Commissioner Keane stated that he seemed to recall that in a previous presentation by United and CareFirst, they noted that they were being severely affected by substantial hospital outpatient

charge increases.

Chairman Colmers agreed with Commissioner Keane in that he remembered hearing a CareFirst official say there were 17% increases in each of the last two years in outpatient hospital charges.

The Commission decided to take no action on this issue at today's meeting.

Given the urgency expressed by the hospitals, Chairman Colmers urged the staff to provide to the Commission and to the public at large a reconciliation of the differences between CareFirst's and HSCRC's outpatient revenue growth and total revenue growth numbers as quickly as possible. The Chairman also requested that if the hospitals or payers had any additional material they wished to place before the Commission that they do so within the next seven days. Based on whether there is sufficient information before the Commission, a special meeting could be held if necessary.

ITEM VIII
STATUS REPORT ON ADMISSION-READMISSION REVENUE INTERVENTIONS AND OUTCOMES

Dianne Feeney, Associate Director-Quality Initiative, reported that in FY 2012, the HSCRC launched the Admission-Readmission Revenue (ARR) program to incentivize hospitals to reduce unnecessary readmissions to their facilities. Under the program, the 31 participating hospitals were required to create intervention plans aimed at reducing readmissions and to develop and monitor at least two metrics to evaluate intervention effectiveness. During FY 2012, the HSCRC collected ARR hospitals' intervention plans. The HSCRC staff collected the hospitals' metric results and conducted a qualitative survey of hospital experiences in ARR Year 1. Ms. Feeney stated that Julia Green, a Masters of Public Health candidate at the Johns Hopkins School of Public Health, conducted an analysis of the data and produced a paper discussing the findings (see "Status Report on Admission-Readmission Revenue Interventions and Outcomes" on the HSCRC website).

Ms. Green summarized the findings. The findings showed that discharge planning, scheduling follow-up appointments, and telephone follow-up were the most common types of intervention instituted by hospitals, while the metrics used to monitor program effectiveness were relatively diverse.

Ms. Green reported that based on an experience survey, approximately 50% of the hospitals found that implementation and monitoring of the interventions were difficult or very difficult. However, hospitals also reported that their new ARR measurement efforts helped them to understand the specific diagnostic categories of patients readmitted to their facility, develop more thoughtful discharge planning and care coordination programs, and guide quality improvement efforts.

According to Ms. Green, going forward few hospitals expect to make changes in the

interventions and metrics currently in place; however, about 40% of hospitals reported that they intended to develop new interventions or new metrics.

In terms of next steps, Ms. Feeney noted that the HSCRC will participate in collaborative efforts to improve interventions and outcomes, such as the Transitions: Handle with Care campaign. Ms. Feeney stated that the HSCRC will convene a work group to determine options for standardizing intervention plan and metrics reporting.

Commissioner Jencks asked Ms. Green and Ms. Feeney that if they had one lesson that they learned from the analysis of this data to give to Commissioner Mullen to take back to his hospital staff, what would it be.

Ms. Green stated that hospitals should focus on process metrics rather than outcome metrics.

Ms. Feeney stated that hospitals should look at the interventions that are successful at other hospitals and utilize them.

Commissioner Keane commended the report as being very well written.

ITEM IX
DRAFT RECOMMENDATIONS FOR MODIFICATIONS TO THE ADMISSION-READMISSION REVENUE (ARR) STRUCTURE

Mary Pohl, Deputy Director-Research and Methodology, described the current structure of the ARR program and explained why the program's structure must be modified in order for Maryland hospitals to be exempted from Medicare's Affordable Care Act readmissions reduction program (see "Draft Recommendation on Modifications to the Admission Readmission Revenue (ARR) Methodology" on the HSCRC website).

Ms. Pohl summarized proposed recommendations and modifications: #1) to move the ARR Program from voluntary agreements to Commission policy; #3a) reincorporate short stay cases into the ARR methodology, monitor the results of reincorporating the cases and adjust hospitals' revenue if warranted; and #3b) after input from the stakeholders, decide whether to exclude palliative cases from the Charge-per-Episode methodology.

Sule Calikoglu, Ph.D., Associate Director for Performance Measurement, summarized staff recommendation #2, incorporating a prospective, continuous improvement shared savings mechanism for FY 2014 rates.

Andy Udom, Associate Director-Research and Methodology, summarized staff recommendation #3c, to administratively simplify the statewide outlier trim logic.

No Commission action was required.

ITEM X
FINAL RECOMMENDATION ON PSYCHIATRIC CLINIC RELATIVE VALUE UNITS

Chris Konsowski, Assistant Chief-Audit & Compliance, presented a recommendation for final adoption of revisions to the Relative Value Unit (RVU) scale for Psychiatric Clinic services to be effective July 1, 2013.

The Commission voted unanimously to approve staff's recommendation.

ITEM XI
DRAFT RECOMMENDATIONS FOR CONTINUED SUPPORT OF THE MARYLAND PATIENT SAFETY CENTER

Diane Feeney, Associate Director-Quality Initiative, summarized the draft recommendations on Continued Financial Support for the Maryland Patient Safety Center (MPSC) for FY 2014 (see "Draft Recommendations on Continued Financial Support for the Maryland Patient Safety Center for FY 2014" on the HSCRC website).

Staff deferred making any recommendations on MSPSC's proposed projects and budget pending the completion of additional information gathering and analysis.

Robert Imhoff, III, President and CEO of MPSC, stated that MPSC's intent was to continue to pursue other sources of funding and gradually reduce the amount of support received from the HSCRC.

No Commission action was required.

ITEM XII
CONSIDERATION OF TWO REQUESTS FOR CONFIDENTIAL DATA

Claudine Williams, Associate Director-Policy Analysis and Research, presented staff's recommendation to approve Chesapeake Regional Information Systems' (CRISP's) request to access the HSCRC confidential inpatient and outpatient data patient level data for CY 2011 and CY 2012, as well as ongoing access to that data. The objective of this request is to support the transition to a population based approach to measuring and improving the performance of hospital and post-hospital care delivery systems.

Commissioner Mullen suggested that staff's recommendation be modified to state that CRISP shall not sell any reports that are produced relying on HSCRC data without the approval of the Commission.

The Commission voted unanimously to approve the modified recommendation.

Oscar Ibarra, Chief-Program Administration & Information Management, presented staff's recommendation to approve the U.S. Department of Health & Human Services, Assistant Secretary for Preparedness and Response, Biomedical Advanced Research and Development Authority's request to access the HSCRC confidential inpatient and outpatient patient level data for CY 2008 through CY 2012. The objective of this request is to study the impact of influenza on medical outcomes.

The Commission voted unanimously to approve staff's recommendation

ITEM XIII
LEGISLATIVE REPORT

Steve Ports, Principal Deputy Director-Policy & Operations, presented a summary of the legislation of interest to the HSCRC (see "Legislative Update-April 10, 2013" on the HSCRC website).

The following bills passed or had language added: 1) Senate Bill 151/House Bill 373 – Outpatient Services –Off-site Facility – Rate Regulation; 2) Senate Bill 195– Hospital – Notice to Outpatients - Outpatient Status and Billing Implications; 3) Senate Bill 274/House Bill 228 – Maryland Health Progress Fund; 4) House Bill 100 – FY 2014 Budget Bill; and 5) Senate Bill 127/House Bill 102 – Budget Reconciliation and Financing Act of 2013.

ITEM XIV
HEARING AND MEETING SCHEDULE

May 1, 2013	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
June 5, 2013	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 4:35 p.m.