Executive Session Minutes
Of the
Health Services Cost Review Commission

November 6, 2013

Upon motion made, Chairman Colmers called the Executive Session to order at 12:11 p.m.

The Executive Session 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. Commissioners Bone and Mullen participated by telephone.

In attendance representing staff were Donna Kinzer, Steve Ports, Jerry Schmith, Sule Calikoglu, Ellen Englert, and Dennis Phelps.

Also attending were Stan Lustman and Leslie Schulman Commission counsel.

Item One

The Chairman updated the Commission on the status of the State's Model Demonstration Proposal.

Item Two

On motion made the Commissioners voted unanimously to approve a performance bonus for the Acting Executive Director for exemplary work performed to date.

Item Three

Steve Ports, Principal Deputy Director, updated the Commissioners on the status of the recruiting process for various open staff positions.

Item Four

Chairman Colmers updated the Commissioners on potential resources for financial support for future activities related to rate setting based on global budgets.

The Executive Session was adjourned at 12:53 p.m.

MINUTES OF THE
502nd MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

November 6, 2013

Chairman John Colmers called the meeting to order at 1:00 p.m. Commissioners George H. Bone, M.D., Stephen F. Jencks, M.D., M.P.H., Jack C. Keane, Bernadette C. Loftus M.D, Tom Mullen, and Herbert S. Wong, Ph.D. were in attendance.

REMEMBERING SARAH SATTERFIELD

Chairman Colmers noted the passing of Sarah Satterfield, who had previously worked at the Commission for over 20 years as an Administrative Assistant. Ms. Satterfield was a highly valued member of the HSCRC staff.

REPORT OF THE NOVEMBER 6, 2013 EXECUTIVE SESSION

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the November 6, 2013 Executive Session.

ITEM I
REVIEW OF THE MINUTES OF THE OCTOBER 9, AND OCTOBER 21 EXECUTIVE SESSIONS AND THE MINUTES OF THE OCTOBER 9, 2013 PUBLIC MEETING

The Commission voted unanimously to approve the minutes of the October 9, and October 21, 2013 Executive Sessions. In addition, the minutes of the October 9, 2013 Public Meeting were unanimously approved.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Ms. Donna Kinzer, Acting Executive Director, reported that Monitoring Maryland Performance (MMP) indicated that the rate of growth in charge per case increased 3.07% for the year ended September 30, 2013, and that inpatient revenue decreased by .67%. Ms. Kinzer stated that for the same period, the number of inpatient cases decreased 3.62%; FY 2013 outpatient revenue increased by 6.55%; and total gross revenue increased by 2.09%. In addition, total gross revenue per capita increased by 1.44%. The total revenue includes revenue for out of state residents.

Ms. Kinzer reported that MMP indicated that the rate of growth in charge per case increased 4.62% for three months ended September 30, 2013, and that inpatient revenue increased by .92%. For the same period, the number of inpatient cases decreased by 3.54%. In addition,

outpatient revenue increased 3.96%, with total gross revenue increasing by 2.13%. Total gross revenue per capita increased by 1.48%. Again, the total revenue includes revenue for out of state residents.

According to the case mix data, total charges for all payers in acute general hospitals increased by 2.15% for fiscal year ended June 30, 2013. Charges for residents of Maryland increased by 1.99% or 1.34% per capita. The proportion of charges for Maryland residents was 90.8% of total charges. The total charges for residents with "Fee for Service" Medicare increased by 2.28% per beneficiary. The change in Medicare charges translates to a reduction in cost per capita after taking in account the estimated 2.9% increase in the over 65 year old population.

According to Ms. Kinzer, for the first three months of fiscal year 2014, the unaudited average operating profits for acute hospitals was 1.19%; the total profit margin for this period was 4.28%; and the median hospital profit was 1.49%, with a distribution of (.78%) in the 25th percentile and 4.02% in the 75th percentile.

Ms. Kinzer reemphasized that unless we are able to incorporate outpatient cases into the Charge per Case approach by January 1st, we will maintain the case mix methodology currently in place, with the usual update process. In addition, we will hold off on reincorporating 0-1 day stay cases until we can incorporate related outpatient cases.

Ms. Kinzer noted that in regard to the 'Two Midnight Rule,' staff solicited input from payers and providers regarding the implementation of the new rule on October 1st and its impact during the month of October. Hospitals reported some logistical issues, but neither hospitals nor payers have had enough experience to report its impact. Staff will solicit input again and report back at the January public meeting.

Ms. Kinzer stated that the hospitals' January 1 rate orders will contain settlements for the year ended June 30, 2013, adjustments for other items that have been deferred, as well as one- time adjustments. Settlements for volume, price, and case mix activity from July 1, 2013 to December 31, 2013 will occur with the July 2014 update.

Ms. Kinzer announced that in November and December, staff will begin discussions with the payment workgroups on modifications to the Maryland Hospital Acquired Conditions (MHAC) and Quality Based Reimbursement (QBR) programs for the rate year 2016.

UPDATE ON NEW ALL-PAYER MODEL FOR MARYLAND IMPLEMENTATION TIMELINE

Ms. Kinzer presented an update on the new All-Payer Model, (see "Update on New All-Payer Model for Maryland Implementation Timeline" on the HSCRC website).

Ms. Kinzer stated that the new all-payer model will focus on improving health care quality, delivery of services, and the affordability of health care. She noted that the new Maryland waiver will focus on overall all–payer hospital expenditures rather than Medicare payment per

admission. The new model includes strong incentives for better outcomes at a lower cost, moving to global and episode reimbursement models with strong incentives for improved quality, and reduction of preventable utilizations and conditions.

Ms. Kinzer noted with the All-Payer Model implementation date scheduled for January 1, 2014, HSCRC staff will focus on the following short term activities:

- Transition Approach with changes in hospital payment models to global models or modified charge per episode
- Reporting and monitoring changes.
- Transitional policies effective January 1
- Meetings of HSCRC and Advisory Council
- Call for white papers and continued planning cycle for work group.
- Work plan for shared savings models with physicians
- Focus on quality and avoidable utilization opportunities
- Preparing January 1 settlement of deferred July adjustments.

Ms. Kinzer announced that the HSCRC has called for white papers and technical papers on 11 topics on its website. The first group of papers will address potential avoidable utilization, methods for monitoring total cost of care, service area/market share, and gain sharing and other physician alignment models. These papers will be due January 10, 2014. The papers will be shared with Commissioners, the Advisory Council and work group members.

ITEM III
DOCKET STATUS CASES CLOSED

2208R - Southern Maryland Hospital Center
2224A- Johns Hopkins Health System
2225A- Maryland Physicians Care
2226A- Johns Hopkins Health System
2227A- MedStar Health
2228A- University of Maryland Medical Center
2229A- University of Maryland Medical Center
2230A- University of Maryland Medical Center
2231A- Johns Hopkins Health System
2232A- Johns Hopkins Health Systems
2233A- University of Maryland Medical Center

ITEM IV
DOCKET STATUS CASES OPEN

2220N- University of Maryland Medical Center

University of Maryland Medical Center (Hospital) filed an application on August 1, 2013 requesting approval of a new rate center for the Trauma Resuscitation Unit (TRU) that will enable outpatient billing for the Shock Trauma Center (STC). The Hospital requested that the new rate center and rate be effective October 1, 2013. The requested rate center and rate will be established in a revenue neutral manner by reclassifying revenue out of the STC Trauma (TRM)

room and board rate center and into the new TRU center.

The Staff recommended:

1) that the Commission approve the new TRU rate at $115.11 per RVU with an effective date of October 1, 2013;
2) that the Admission and TRM rates and STC Charge per Case target be appropriately modified;
3) that the TRU not be rate realigned until a full year's experience has been received by the HSCRC; and
4) that the TRU rate be monitored for 12 months to ensure revenue neutrality.

The Commission voted unanimously to approve staff's recommendation.

ITEM V
FINAL RECOMMENDATION ON CHANGES TO FINANCIAL DATA SUBMISSION

Ms. Ellen Englert, Associate Director of Rate Setting, presented a final recommendation to amend existing regulations regarding monthly financial data submission. (See "Amend Regulation to Change Monthly Financial and Statistical Reporting" on the HSCRC website)

Currently, Maryland hospitals under the jurisdiction of the HSCRC submit monthly financial and utilization data to the HSCRC, per COMAR 10.37.01.03. These monthly reports are filed electronically within 30 days of the last day of the month. The hospital monthly reports are used for a number of purposes including monitoring: 1) financial performance; 2) rate compliance; and 3) the Medicare waiver test.

The HSCRC has begun to implement processes to transition to population based revenue management and cost evaluation. In preparation for the new population based revenue compliance measurement requirement, hospital monthly reporting must separate revenues and volumes for Maryland residents from those outside of the State. In addition, better data are needed for monitoring Medicare revenue trends on a monthly basis. This will require breakouts for Medicare revenues and utilization.

Hospitals that have been referred to traditionally as non-waiver hospitals will be included in the new Medicare test. Thus these hospitals will be required to submit the more comprehensive data needed for the HSCRC to monitor Medicare revenues and utilization.

Ms. Englert stated that hospitals will be required to submit historical data in the revised format for the period between July 1, 2012 and September 30, 2013 by November 15, 2013, and data for the period between October 1st and December 31, 2013 by January 31, 2014.

Therefore, staff proposed an amendment to COMAR 10.37.01.03 as follows:

1. to change the Monthly Reporting Data to include revenue and utilization breakouts for

out of state and Medicare patients in the hospital's monthly reporting effective January 1, 2014;
2. that HSCRC and the hospitals work together to develop monthly breakouts and reconciliations of FY 2013 and Quarters 1 and 2 of FY 2014; and
3. that any facility that believes it cannot meet the reporting deadlines should contact HSCRC staff immediately, in writing. Staff will work with the hospitals to resolve the issues to ensure the statewide data requirements are met.

Anne Hubbard, Assistant Vice President of Financial Policy and Advocacy of the Maryland Hospital Association (MHA), expressed appreciation for the collaborative efforts of the HSCRC staff in the development of the reporting changes, including staff's flexibility with hospitals trying to meet HSCRC deadlines.

The Commission voted unanimously to approve staff's recommendation.

ITEM VI
DRAFT RECOMMENDATION ON UPDATE FACTOR EFFECTIVE JANUARY 1, 2014

Mr. Steve Ports, Principal Deputy Director Policy and Operations, presented a draft recommendation for the continuation of the existing update factor polices through June 30, 2014. (see "Draft Recommendation on Continuation of the Update Factor Approved on June 5, 2013" on the HSCRC website).

Mr. Ports reported that on June 5, 2013, the Commission approved an update factor of 1.65% for inpatient and outpatient services for all regulated hospitals (except private psychiatric hospitals) for a period of July 1, 2013 through December 31, 2013. At the July meeting, the Commission approved an update factor of 1.8% for the private psychiatric hospitals. The June recommendation indicated that the Commission would revisit the update factor for the second half of the year, from January 1, 2014 through June 30, 2014.

However, due to the continued uncertainty associated with the new all-payer model, the status of the current waiver test and the financial condition of hospitals, Staff recommends that the policies adopted by the Commission at the June 2013 meeting be carried forward for the period January 1 to June 30, 2014 as follows:

- continue the update factor of 1.65% (1.8% for psychiatric hospitals) for both inpatient and outpatient services for all regulated hospitals for the period January 1 through June 30, 2014;
- continue with other recommendations made on June 5, 2013 and rate settlements until modified; and
- continue to monitor federal changes that might affect Medicare payments.

Commissioner Mullen asked whether staff had considered cuts resulting from the federal

sequester and recent increases in inflation in its recommendation to continue with the update factor.

Mike Robbins, MHA Senior Vice President, Financial Advocacy and Policy pointed out that hospitals continue to have financial challenges and still have not had a significant turnaround in financial stability despite the 1.65% and 1.8% update increases. Mr. Robbins recommended that hospital financial status be considered in any white papers submitted to the Commission to ensure that the financial stability of the hospitals is included in any new policies implemented.

Gary Simmons, Regional Vice President, United Healthcare, and John Hamper Director of Provider Reimbursement, CareFirst Inc., both spoke in support of the staff recommendation.

As this is a draft recommendation, no Commission action is necessary at this time.

ITEM VII
DRAFT RECOMMENDATION ON FUTURE FUNDING SUPPORT FOR THE CHESAPEAKE REGIONAL INFORMATION SYSTEM FOR OUR PATIENTS (CRISP)

Mr. Ports and David Sharp, Director of the Maryland Health Care Commission's Center for Health Information Technology, presented a draft recommendation for continued funding support for the Chesapeake Regional Information System for our Patients (CRISP) (see, "Draft Recommendation for the Chesapeake Regional Information System for our Patients" on the HSCRC website).

The purpose of the draft recommendation is to recommend continued funding for CRISP, Maryland's designated Health Information Exchange (HIE), for the period FYs 2015 through 2019.The funding amount will assist CRISP in fulfilling its role in implementing the HIE and health care reform in Maryland. As the State's HIE, Staff views CRISP as a critical partner as they begin to track utilization across care settings and implement per capita and population-based payment methodologies.

The Maryland Health Care Commission and HSCRC recommended funding of up to $1.5 million annually through Maryland's unique all-payer hospital rate setting system to CRISP over the next 5 years (FYs 2015 – FY 2019) to support the continued development and use of the State-Designated HIE. The continued funding is necessary to meet the anticipated uses of health information exchange, as well as the needs of the HSCRC under the new All-Payer Model Design the funding will also be utilized for quality measurement and improvement such as monitoring and reducing readmissions across the State.

Chairman Colmers reminded the Commission that CRISP funding comes from limited hospital resources. He recommended that other resources, including those of other healthcare entities that benefit from CRISP, also contribute a fair share of their revenue in the future.

As this is a draft recommendation, no Commission action is necessary at this time.

ITEM VIII
REPORT ON FY2014 UNCOMPENSATED CARE POLICY AND DRAFT RECOMMENDATION REGARDING CHARITY CARE ADJUSTMENT

Mr. Nduka Udom, Associate Director, Research and Methodology, presented a report on the results of the Uncompensated Care Policy and the draft recommendation to change the formula for calculating the hospital specific results (see, "Report on Results of Uncompensated Care Policy and Draft Recommendation to Change the Formula for Calculating the Hospital Specific Results" on the HSCRC website). Mr. Udum pointed out three corrections to the Report: the first on page 1 incorrectly reads, "The most recent version of the policy was adopted by the Commission on September 1, 2010." With the correction it should read, "The most recent version of the policy was adopted by the Commission on July 6, 2012." The second correction also on page 1, incorrectly reads, "The proportion of a hospital's total charges from outpatient Medicaid, self-pay, and charity visits to the emergency room; and…" With the correction it should read, "The proportion of a hospital's total charges from outpatient non-Medicare emergency department charges; and …" The third correction on page 2 incorrectly reads, "The proportion of a hospital's total charges from outpatient charges." With the correction it should read, "The proportion of a hospital's total charges from outpatient Medicaid, self-pay, and charity visits."

Based on this Report, staff recommended that the Commission suspend the Charity Care Adjustment for FY2014 until an alternative Charity Care Adjustment methodology is developed and approved. A final recommendation will be brought to the Commission at the December 2013 meeting

As this is a draft recommendation, no Commission action is necessary at this time.

ITEM IX
LEGAL REPORT

Regulations

Proposed and Emergency

Monthly Reports of Achieved Volumes and Revenues - COMAR 10.37.01.03

The purpose of this action is to require hospitals, beginning January 1, 2014, to include revenue and utilization break outs for out of state and Medicare patients in the monthly reporting. Additionally, the data shall be submitted in a manner and format prescribed by the Commission and as described on the Commission's website.

The Commission voted unanimously to forward the proposed regulation to the AELR Committee for review and publication in the Maryland Register both as a proposed and emergency regulation.

COMAR 10.37.01.02

The purpose of this action is to update the Commission's "Accounting and Budget Manual for Fiscal and Operating Management" (August 1987), which has been incorporated by reference.

The Commission voted unanimously to forward the proposed regulation to the AELR Committee for review and publication in the Maryland Register as a proposed regulation.

HEARING AND MEETING SCHEDULE

December 4, 2013	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
January 9, 2014	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 2:48 p.m.