Executive Director's Report

Health Services Cost Review Commission

May 13, 2015

Staff Focus

Today, staff will present:

- A draft recommendation for the rate year 2016 balanced update
- Status of the market shift adjustment
- Selected BRFA regional planning grant proposals for affirmation by the Commission
- Draft of shared savings adjustment recommendation
- Final recommendations regarding UCC adjustments
- Final recommendation regarding CRISP funding

Staff completed rate order updates to incorporate the BRFA funding approved at the April Commission meeting and will release all of the BRFA rate order updates after the Commission affirms the regional planning grant awards.

For May and June, staff will be focused on:

- Finalizing the updates for rate year 2016 and preparing rate setting files for the rate orders.
- Completing the market shift adjustments.
- Focusing on the implementation of the care coordination report and moving forward on activities relative to alignment.

Planning and Implementation of Care Coordination and Alignment Activities

Similar to the initial implementation of global budgets, we are now in a timeframe of model implementation whereby the staff needs to increase its communications with the Commission, hospitals, and other stakeholders.

- Over these next 3 meetings, the staff will be presenting information to the Commission about more detailed plans, timelines, and execution approaches for care coordination infrastructure and regional and local planning activities, alignment activities, and

consumer engagement activities. These are partnership activities being conducted together with other State agencies and with stakeholder leadership.

BRFA funds were placed in rates on May 1 to provide for the collection of $15 million during rate year 2015 for using in implementing initiatives to support the success of the All Payer Model. An initial funding of $1 million was provided to CRISP, Maryland's designated Health Information Exchange, for consulting and other resources to support work group activities aimed at accelerating care coordination and alignment. $2.5 million will be retained by hospitals for implementation of regional planning grants. The remaining $11.5 million will be provided to CRISP to fund additional planning and start up costs of expanded IT and analytic infrastructure and continued consulting support for implementation of care coordination and alignment activities. The responsibilities of CRISP and the use of these funds will be defined and directed under a Memorandum of Understanding with HSCRC, and with oversight of MHCC, who administers the funds with the support of HSCRC. An initial budget of $495,000 has been submitted and reviewed by MHCC and HSCRC for a 90 day intense planning process for state level infrastructure. This budget has been incorporated into the Memorandum of Understanding. A second budget related to alignment and care coordination activities is in process and will be reported at the June HSCRC meeting. At the end of the 90 day process, we will receive a more refined budget and funding requirements for the remaining activities associated with planning and implementing the proposed state level IT infrastructure and alignment and care coordination planning support outlined in the Care Coordination work group report.

Proposed Rate Update for Infrastructure Funding

All hospitals in Maryland have adopted a global revenue budget system, either under the Global Budget Revenue (GBR) system or under the Total Patient Revenue (TPR) system. Both arrangements have provided funding for investment in interventions to reduce Potentially Avoidable Utilization (PAU). TPR agreements, which were implemented in FY 2011, contained incentive payments that were intended, in part, for this purpose. Most GBR hospitals were previously given a .65% infrastructure adjustment, 1/2 during rate year 2014, and the second half during rate year 2015 during the initial adoption of the GBR.

The proposed rate update for rate year 2016 (beginning July 1, 2016) includes an infrastructure adjustment for GBR hospitals of .4%. The proposed rate update also includes an allowance of .25% that would be made available under a competitive process. All hospitals will be invited to submit proposals for this funding.

The purpose of providing these funds in rates is to accelerate the process of investing in and gaining the benefit of care coordination and integration, population health, and alignment initiatives. While hospitals performed well during the initial year of implementation, it is critical to continue an accelerated scaling and implementation of additional resources and interventions to sustain and augment the results that are needed under the All Payer Model. The investments are expected to improve care delivery but also to generate a return on investment. Hospitals will be held accountable for these outcomes as prospective quality adjustments are applied for reductions in PAU over time. HSCRC staff will also be able to examine process measures, if desired, to evaluate the levels of care coordination activities in place. If these rate increases contribute to an erosion of Medicare savings below Medicare expectations, hospitals could face an acceleration of PAU adjustments to meet the requirements of the All Payer Model contract with CMS. While staff is not currently projecting this outcome, the Medicare savings requirements is based on a dynamic comparison to national rates of increase in payments, and the rates of increase may change as CMS implements payment policies or as utilization levels vary from projected levels.

Ebola Adjustment

In fall 2014, the Maryland Department of Health and Mental Hygiene (DHMH) worked closely with the Maryland Hospital Association and the three major health systems, Johns Hopkins, University of Maryland and MedStar to designate three Ebola treatment centers to serve Maryland. At DHMH's request, the health systems identified The Johns Hopkins Hospital, University of Maryland Medical Center and MedStar Washington Hospital Center as Maryland's Designated Ebola Treatment Centers (DETCs). Recognizing the requirements to prepare, HSCRC rate funding was identified as a source to complement federal support.

The DETCs incurred one-time start-up expenses ranging from $5.3 million to $6.3 million per hospital. These costs reflect building renovations, building system upgrades, personal protective equipment, training expenses and management costs. The Ebola treatment centers may receive up to $1 million of federal funding for start-up costs. HSCRC staff is making an adjustment to reflect the one-time costs, net of $1 million of potential federal funding for each DETC. Net of federal funding, the adjustments for the three systems are approximately $4.3 million to $5.3 million per hospital, plus markup. Staff is increasing FY2015 GBR targets and underlying rates, to be reversed out in FY2016. The total adjustment is approximately $15 million. The MedStar Washington Center Hospital funding is placed in other MedStar system hospitals' GBRs, and those hospitals will pay for the start up expenses at the MedStar Washington Hospital Center.

This is the resolution of this matter, which was discussed with the Commission in prior meetings.