

Executive Director's Report

March 12, 2014

Monitoring Maryland Performance

As we begin the process of reporting under the new All-Payer Model, we will continue to produce reports in the old format until we complete the process of converting all of the reports.

In the new All-Payer Model, we will focus on fiscal year results (July 1 through June 30) as well as calendar year results. The new model will also change the reporting to include several entities that were not included in Monitoring Maryland Performance in the past.

- Entities where HSCRC establishes rates paid by all payers will be part of the overall requirement to maintain the growth in revenues at or below 3.58% per capita. This includes three freestanding ERs and Levindale, which were not historically included in Monitoring Maryland Performance.
- For the Medicare savings requirement, payments made to all hospitals for hospital services on behalf of Maryland beneficiaries will constitute the evaluation, regardless of regulatory status or hospital location.

Twelve Months Ended December 2013:

Calendar Year 2013 is the base period for the new All-Payer Model. We will measure increases in hospital revenues under the new model from this period.

- Recall from last month, Calendar year increase CY 2013 over CY 2012 was 3.21% for acute care hospitals (not including the additional entities noted above).
- The Department of State Planning reports a .75% growth for CY 2013, so this results in an estimated per capita increase of CY2013 over CY2012 of about 2.44% for acute hospitals, not adjusting for any changes in non-resident revenues.

Fiscal Year to Date--Seven Months Ended January 2014 versus the same time period in last year:

These figures include acute care hospitals only.

- Charge per Case increased 6.03%
- Cases (admissions + new born) decreased (4.41%)
- Total gross revenue increased 3.13%
- Total gross revenue per capita increased by 2.93 % but this does not exclude revenues for out of state residents.

Calendar Year to Date--One Month Ended January 2014 versus the same time period in last year:

These figures include acute care hospitals only.

- Charge per Case increased 4.67%
- Cases (admissions + new born) decreased (5.50%)

- Total gross revenue increased .59%
- The Department of State Planning projects population growth for the upcoming year of .71%

Financial condition

Data are available for profits for the first seven months of FY 14 (July 2013 through January 2014). For this year to date period, average operating profits for all acute care hospitals was 1.69 percent. The total profit margin for this period is 4.05 percent. The median hospital had an operating profit of 2.59 percent, with a distribution as follows:

- 25th percentile at 0.21%
- 75th percentile at 5.63%

Maryland's New All-Payer Model Implementation

The contract for the new All-Payer Model, which began on January 1, 2014 was finalized and executed.

Implementation Steps for All-Payer Model

Hospital data submission for monitoring: Staff has been performing audits of the data, since it will form the basis of monitoring under the All Payer model. MHA has engaged KPMG to cross check the analysis prepared by staff. Staff intends to engage an auditor to audit the final base period revenue reports and to audit the residency status (i.e. state of residence) reported by hospitals.

Staff and KPMG are providing a separate presentation on this effort.

Commission Implementation Strategy: The Commissioners wish to again thank the Advisory Council for a very helpful set of recommendations to guide implementation. The Commissioners will now continue the development of implementation strategy which has already begun under the bridge process and through its work group activities, with a focus on more specific milestones and organizational approaches required for success under the new All-Payer Model.

Implementation Priorities for January through June:

Last month, HSCRC staff were focused on:

- Transition Approach with changes in hospital payment models to global models or modified charge per episode (separate staff presentation provides an update)
- Monitoring under the new requirements (separate staff presentation provides an update)
- Work group initiation (separate staff presentation provides an update)
- Update of MHAC and readmission programs under new All-Payer model (separate staff draft recommendations)

During the month of March, HSCRC staff will be focused on:

- Continuing execution of work group activities
- Continuing negotiation of global budgets
- Implementation of global budget rate orders and monitoring
- Providing contract and revenue disclosure
- Continuing the development of monitoring for both the All-Payer and Medicare requirements

Thank you to HSCRC staff

HSCRC staff has been working very hard on implementation activities. I want to express appreciation for all of the extra efforts and leadership that staff is undertaking.

Since mid-January, Viva Ma has been interviewing and working with the HSCRC staff three days a week, documenting the current work of the HSCRC staff in preparation for planning and evaluating future needs for additional staff. (Viva is working with us part time while she is currently enrolled in the MPH/MBA dual degree program at the Johns Hopkins University. She has worked on healthcare policy, analytics and management consulting in the public and private sector. Viva received a PhD in molecular biology from the University of Wyoming.

In February, Jessica O'Neill began working with HSCRC staff with a primary focus on managing the process of contract compliance under the CMMI contract. Jessica recently graduated from Johns Hopkins University with a Bachelor of Arts Degree in Public Health. Jessica previously interned with HSCRC staff.

Other Activities

Charge per case update: HSCRC staff has made progress on a plan to incorporate both inpatient and outpatient activity into a revenue per case/episode approach. This will be used in developing performance measures for future evaluations. We will continue with the current charge per case approach for the remainder of FY2014 for those hospitals remaining on charge-per-case but with new volume constraints. Staff will provide an update on this progress in the upcoming months.

Two-midnight rule: Staff was focused on implementation of the new All-Payer Model last month. There continues to be confusion relative to the two-midnight rule, and there are several federal legislative developments that may result in further Medicare delays in enforcement.

Next Commission Meeting Date is April 9, 2014.