Executive Session Minutes
of the
Health Services Cost Review Commission

March 12, 2014

Upon motion made, Chairman Colmers called the Executive Session to order at 12:05 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.

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

Donna Kinzer, Executive Director, summarized the progress of contracting with individual hospitals.

Item Two

The Executive Director, Commissioners, and Counsel discussed the structure for HSCRC involvement regarding global budgets.

The Executive Session was adjourned at 1:16 p.m.

Executive Session Minutes
Of the
Health Services Cost Review Commission

April 7, 2014

Upon motion made, Chairman Colmers called the Executive Session to order at 1:10 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 Jencks, Keane, and Wong. Commissioners Bone, Loftus, 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 Commission counsel and Jack Meyer, Ph.D., Facilitator.

Item One

Donna Kinzer , Executive Director, and Dr. Meyer, made introductory comments.

Item Two

Dr. Meyer lead a discussion concerning which issues required the focus of the Commission as it seeks to develop a strategy for implementing the new All-Payer Model. The discussion also included staffing needs.

The Executive Session was adjourned at 2:51 p.m.

MINUTES OF THE
506th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

March 12, 2014

Chairman John Colmers called the meeting to order at 1:21 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 also in attendance.

REPORT OF THE MARCH 12, 2014 EXECUTIVE SESSION

Dennis Phelps, Associate Director-Audit & Compliance, summarized the minutes of the March 12, 2014 Executive Session.

ITEM I
REVIEW OF THE MINUTES FROM THE EXECUTIVE SESSION AND PUBLIC MEETING ON FEBRUARY 5, 2014

The Commission voted unanimously to approve the minutes of the February 5, 2014 Executive Session and Public Meeting.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Ms. Donna Kinzer, Executive Director, stated that Monitoring Maryland Performance (MMP) for the new All-Payer Model will focus on fiscal year results (July 1 through June 30) as well as calendar year results. MMP will now also include the three freestanding emergency rooms and Levindale Hebrew Geriatric Center and Hospital. These entities were added because the rates at these facilities are also set on an all-payer basis and are included in the all-payer revenue target. These additional facilities were not included in the MMP in the past.

Ms. Kinzer noted for CY 2013 total gross revenue increased by 3.21% over CY 2012 for acute care hospitals (not including the additional entities noted above). The Maryland Department of Planning reports a .75% growth for CY 2013. The growth in hospital gross patient revenue combined with Maryland's population growth yielded about 2.44% growth in per capita cost of care in CY2013. This includes care provided to non-Maryland residents.

Ms. Kinzer reported that for the first month of the calendar year ended January 31, 2014, total gross revenue increased by .59%. In addition, Maryland Department of Planning projects population growth for 2014 of .71%

Ms. Kinzer reported that for the seven months ended January 31, 2014, total gross revenue

increased by 3.13%; total gross revenue per capita increased by 2.93%. The total revenue includes revenue for out-of-state residents.

According to Ms. Kinzer, for the first seven months of fiscal year 2014, the unaudited average operating profits for acute hospitals was 1.69%, and the median hospital profit was 2.59%.

Ms. Kinzer stated that hospitals have submitted eighteen months of expanded volume; and revenue data for monitoring. Staff has been performing audits of this data since it will form the basis of monitoring under the All-Payer System. Ms. Kinzer noted that the Maryland Hospital Association has engaged KPMG to cross check the analysis prepared by Staff. In addition, staff intends to engage an outside auditor to audit the final base period revenue reports and to audit the residency status (i.e., state of residence) reported by hospital.

Ms. Kinzer on behalf of the Commissioners thanked the Advisory Council for their recommendations to guide implementation of the All-Payer Model. The Commission will continue the development of the implementation strategy that began under the bridge process and through its work group activities, with a focus on more milestones and organizational approaches required for success under the new All-Payer Model.

Per Ms. Kinzer, Staff focused on the following implementation activities last month:

- Transition Approach with changes in hospital payment models to global or modified charge per episode.
- Monitoring under the new requirements.
- Work group initiation.
- Update of MHAC and readmission programs under new All-Payer Model

As for the month of March, Staff will be focusing on:

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

Ms. Kinzer noted that Staff has made progress on a plan to incorporate both inpatient and outpatient activity into a revenue case per episode approach. This approach will be used in developing performance measures for future evaluations. Staff 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.

Ms. Kinzer noted that there continues to be confusion concerning the two-midnight-rule and that there are several federal legislative developments to delay Medicare enforcement.

Ms. Kinzer acknowledged the hard work of the HSCRC Staff and expressed her appreciation for all of the extra efforts and leadership that the staff is undertaking.

Ms. Kinzer introduced two new Staff members:

Viva Ma will be assisting in planning and evaluating future needs of staff.

Jessica O'Neil will be managing the process of contract compliance under the CMMI contract.

NEW ALL-PAYER MODEL FOR MARYLAND GLOBAL BUDGET DEVELOPMENT FOR FY 2014

Ms. Kinzer presented the update on the All-Payer Model Global Budget Implementation (See "New All Payer Model for Maryland Global Budget Development for FY 2014" on HSCRC website)

ITEM III
STATUS OF WORK GROUPS FOR ALL PAYER HOSPITAL SYSTEM MODERNIZATION

Mr. Steve Ports, Principal Deputy Director Policy and Operations and Dr. Sule Calikoglu, Deputy Director of Research and Methodology, presented an update on the status of the work groups for the All-Payer Model (See "Status of Work Groups for All Payer Hospital System Modernization" on the HSCRC website).

ITEM IV
DOCKET STATUS CASES CLOSED

2241A- Johns Hopkins Health System

ITEM V
DOCKET STATUS CASES OPEN

2242N- UM St. Joseph's Medical Center

On January 31, 2014, University of Maryland St. Joseph Medical Center ("the Hospital") submitted a partial rate application to the Commission requesting a rate for Inpatient Renal

Dialysis (RDL) services. The Hospital has requested that the RDL rate be set at the lower of the statewide median or the Hospital's projected RDL costs with an effective date of March 1, 2014.

After review of the application Staff recommended

1. That a RDL rate of $661.58 per treatment be approved effective March 1, 2014;
2. That no change be made to the Hospital's Charge per Episode standard for RDL services;
3. That the RDL rate not be rate realigned until a full year of cost experience data have been reported to the Commission; and
4. This new service will be subject to the provisions of new volume or Global Budget policies.

The Commission voted unanimously to approve staff recommendation.

2247R- Garrett County Memorial Hospital

The Commission voted unanimously to approve Staff's request for a 30 day extension for review of the partial rate application of Garrett County Memorial Hospital.

2243A- University of Maryland Medical Center

On January 30, 2014, University of Maryland Medical Center ("the Hospital") filed an application requesting approval for continued participation 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, 2014.

Staff recommended that the Commission approve the Hospital's application for a one year period beginning on April 1, 2014, and that the approval is contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff recommendation.

2244A Johns Hopkins Health System

On January 31, 2014, Johns Hopkins Health System ("the System") filed an application on behalf of its member hospitals (the Hospitals) requesting approval to continue participation in a global price arrangement for solid organ and bone marrow transplant services with Aetna Health Inc.. Aetna Health, Inc. recently acquired Coventry, and this arrangement combines the approved arrangements for solid organ transplants between Coventry Transplant Network and the System. The Hospitals are requesting that the Commission approve the arrangement for one period beginning on March 1, 2014.

Staff recommended that the Commission approve the Hospitals' application for a one year period beginning on March 1, 2014, and that the approval is contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff recommendation. Chairman Colmers recused himself from the discussion and vote.

2245A Johns Hopkins Health System

On February 3, 2014, Johns Hopkins Health System ("the System") filed an application on behalf of its member hospitals (the Hospitals) requesting approval to continued participate in a global price arrangement for solid organ and bone marrow transplant services with Aetna Health Inc.. Aetna Health, Inc. recently acquired Coventry Transplant Network, and this arrangement adds the Coventry Transplant Network to the existing Aetna contract. The Hospitals request that the Commission approve the arrangement for one period beginning on April 1, 2014.

Staff recommended that the Commission approve the Hospitals' application for a one year period beginning on April 1, 2014, and that the approval is contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff recommendation. Chairman Colmers recused himself from the discussion and vote.

2246A Johns Hopkins Health System

On February 28, 2014, Johns Hopkins Health System ("the System") filed an application on behalf of its member hospitals (the Hospitals) requesting approval to continued participate in a revised global rate arrangement for solid organ and bone marrow transplants with Optum Health, a division of United HealthCare Services. The Hospitals request that the Commission approve the arrangement for one period beginning on April 1, 2014.

Staff recommended that the Commission approve the Hospitals' application for a one year period beginning on April 1, 2014, and that the approval is contingent upon the execution of the standard Memorandum of Understanding.

The Commission voted unanimously to approve staff recommendation. Chairman Colmers recused himself from the discussion and vote.

2191A Johns Hopkins Health System

On November 21, 2013, in accordance with the authority granted by the Commission, Staff approved a 3 month extension of the Commission's approval of the alternative rate arrangement between the John Hopkins Health System ("The System") and Optum Health.

The System has requested that the Commission extend its approval for an additional month, to March 31, 2014, to complete negotiations

Staff recommends that the Commission grant the System an extension to until March 31, 2014 to complete all negotiation with Optum Health. If the negotiations are not completed before expiration of this extension, the arrangement ends and no further services will be provided under the arrangement until a new application is approved.

The Commission voted unanimously to approve staff recommendation. Chairman Colmers recused himself from the discussion and vote.

2195A Johns Hopkins Health System

On November 21, 2013, in accordance with the authority granted by the Commission, staff approved a 3 month extension of the Commission's approval of the alternative rate arrangement between the John Hopkins Health System ("the System") and Coventry for solid organ and bone marrow transplant services.

The System has requested that the Commission extend its approval for an additional month, to March 31, 2014, so that negotiations on the bone marrow transplant portion of the Coventry agreement can be completed.

Staff recommended that the Commission grant the System an extension to until March 31, 2014 to complete all negotiations with Coventry concerning the bone marrow transplant services. If the negotiations are not completed before expiration of this extension, the arrangement ends and no further services will be provided under the arrangement until a new application is filed.

The Commission voted unanimously to approve staff recommendation. Chairman Colmers recused himself from the discussion and vote.

ITEM VI
HSCRC STAFF DRAFT RECOMMENDATIONS FOR MODIFYING THE MARYLAND HOSPITAL ACQUIRED CONDITIONS PROGRAM FOR FY2016

Ms. Diane Feeney, Associate Director, Quality Initiative and Dr. Calikoglu presented Staff's draft recommendation for modifying the Maryland acquired conditions programs for FY 2016. (See "HSCRC Staff Recommendations for Modifying the Maryland Hospital Acquired Condition Programs for FY2016" on the HSCRC website.)

Staff presented the following draft recommendations effective for CY 2014 performance year:

1. Measure hospital performance using Observed (O)/Expected (E) value for each Potentially Preventable Condition (PPC). Define the minimum threshold value to begin earning points as the weighted mean of all O/E ratios (O/E=1). Define the benchmark value where a full 10 points is earned as the weighted mean of top quartile O/E ratio. Establish appropriate exclusion rules to enhance measurement fairness and stability,
2. Set a benchmark at zero for PPCs that are never events.
3. Prioritize PPCs that are high cost, high volume, have opportunity to improve, and are of national priority by tiering the PPCs in group and weighting the groups in the final hospital score commensurate with level priority.
4. Establish tiered scaling based on state-wide Maryland Hospital Acquired Conditions (MHAC) performance and update annually based on the trends and Center for Medicare and Medicaid Innovation contract goals.
5. Calculate rewards/penalties using preset positions on the scale based on the base year scores.
6. For CY 2014 performance year:
    a. Set minimum MHAC target at 6.89% improvement with a maximum revenue at risk of 4% of permanent inpatient revenue if this target missed.
    b. Set CY 2014 target at 8.5% improvement with a maximum revenue at risk of 3% of permanent inpatient revenue if this target is missed
    c. Set maximum revenue at risk at 2% of permanent inpatient revenue if CY 2014 target stated in 6.b. is met.

Chairman Colmers suggested that Staff consider modifying the annual targets so that they are more aggressive in the early years and less aggressive in later years.

Ms. Traci LaValle, Vice President for Financial Policy and Advocacy Maryland Hospital Association, stated that the hospitals were pleased with the revised MHAC policy in that it eliminates scaling and gives hospitals more opportunity to easily predict where they will be at the end of the year. Ms. LaValle also agreed with Chairman Colmers' comment that it would be easier to achieve higher targets in the early years but cautioned that some hospitals will still receive penalties even if they achieve the 6.89% target outlined in the draft recommendation.

Since this is a draft recommendation, no action was necessary.

ITEM VII
HSCRC STAFF DRAFT RECOMMENDATIONS FOR IMPLEMENTING A HOSPITAL READMISSION REDUCTION INCENTIVE PROGRAM FOR FY2016

Dr. Calikoglu presented Staff's draft recommendation for implementing a hospital readmission reduction incentive program for FY16 (see "Draft Recommendation for Implementing a Hospital Readmission Incentive Program for FY16" on the HSCRC website)

Staff presented the following draft recommendations for CY 2014 performance to be applied to rate year 2016:

1. The Commission should implement a Readmissions Reduction Incentive Program.
2. The CMS readmission measure definition specifications should be used with the Maryland adjustments to enhance the fairness of the measure
3. The annual target for the first year, CY 2014, should be a 6.76% readmission reduction with the percentage reevaluated annually.
4. The Commission should consider a positive incentive magnitude of .5% for hospitals that meet or exceed the 6.76% target the first year with additional vetting of the Payment Models Workgroup which will be reflected in the final recommendation.

Ms. Traci LaValle, Vice President for Financial Policy and Advocacy Maryland Hospital Association, stated that hospitals were not comfortable with the readmissions target as proposed by the draft recommendation. Ms. LaValle acknowledged that Maryland needs to reduce its readmission rate in the aggregate, but the hospital industry was not ready to support a statewide target because of uncertainties about risk-adjusting the readmissions data, as well as given the lack of data necessary for each hospital to monitor its performance.

This is a draft recommendation, so no action was necessary.

ITEM VIII
REPORT ON STATUS OF MONITORING UNDER THE ALL-PAYER MODEL

Ms. Claudine Williams Associate Director, Policy Analysis, and Ms. Amanda Vaughn, Program Manager presented an update on the status of monitoring under the All-Payer Model (see "Status of Monitoring Under the All-Payer Model" on the HSCRC website).
.

ITEM IX
LEGISLATIVE UPDATE

Mr. Steve Ports presented a summary of the legislation of interest to the HSCRC (See "Legislative Update- March 12, 2014" on the HSCRC website).

ITEM X
LEGAL REPORT

Regulations

Final Action

Update to Accounting and Budget Manual – COMAR 10.37.01.02

The purpose of this action is to update the Commission's Accounting and Budget Manual with Supplement 22, which has been incorporated by reference. This proposed regulatory change appeared in the January 10, 2014 issue of the Maryland Register (41:1MD.R, at 36).

The Commission voted unanimously to approve the final adoption of the proposed regulation.

New Monthly Reports of Revenue and Utilization- COMAR 10.37.01.03

The purpose of this action is to require hospitals to include revenue and utilization breakouts for out-of-state and Medicare patients in the monthly reporting. This proposed regulatory change appeared in the January 10, 2014 issue of the Maryland Register (41:1MD.R. at 36-37).

The Commission voted unanimously to approve the final adoption of the proposed regulation.

Proposed Action

New All-Payer Model Agreement Data Requirements – COMAR 10.37.01.03

The purpose of this action is to require hospitals to submit all data required for evaluation and monitoring purposes in compliance with the January 1, 2014 All-Payer Model Agreement executed between the State of Maryland and the Center for Medicare and Medicaid Innovation.

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.

Working Capital Differentials- Payment of Charges – COMAR 10.37.10.26B

The purpose of this action is to bring about greater uniformity in the calculation of current financing.

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.

ITEM XI
HEARING AND MEETING SCHEDULE

April 9, 2014	Time to be determined, 4160 Patterson Avenue HSCRC Conference Room
May 14, 2014	Time to be determine. 4160 Patterson Avenue HSCRC Conference Room

There being no further business, the meeting was adjourned at 3:55 pm.