



FY 2018 Balanced Update

February 10, 2017



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HSCRC

Health Services Cost
Review Commission

Goals to Guide Payment Policy

- ▶ Meets All-Payer Requirement
- ▶ Provides Hospitals with overall fair and reasonable compensation
- ▶ Provides rates and revenues that are sufficient for efficient and effectively operated hospitals and equity among payers
- ▶ Promotes health equity

Desirable Features of Payment Policies

- ▶ Promotes adequate information sharing
- ▶ Promotes cooperation and collaboration
- ▶ Provides sound value incentives
- ▶ Considers other requirements

Key Considerations

- ▶ Compliance with All-Payer and Medicare Guardrails
 - ▶ Meets All-Payer Model provisions
- ▶ Expected growth in Medicare Hospital Rates
- ▶ Inflation
- ▶ Population and Demographic Adjustments
- ▶ Financial condition of hospitals
- ▶ PAU Savings
- ▶ Unforeseen adjustments
- ▶ Others including categoricals and transfers

*****SUBJECT TO CHANGE: NO IPPS OR OACT NUMBER AT THIS TIME *****

Balanced Update Model for Discussion			
Components of Revenue Change Linked to Hospital Cost Drivers/Performance			
			Weighted Allowance
Adjustment for Inflation			2.12%
- Total Drug Cost Inflation for All Hospitals*			0.28%
Gross Inflation Allowance	A	TBD	2.40%
Implementation for Partnership Grants	B		0.00%
Care Coordination			
-Rising Risk With Community Based Providers			
-Complex Patients With Regional Partnerships & Community Partners			
-Long Term Care & Post Acute			
	C		0.00%
Adjustment for volume	D		0.36%
-Demographic Adjustment			
-Transfers			
-Categoricals			
- Drug Population (.1%**)			
Other adjustments (positive and negative)			
- Set Aside for Unknown Adjustments (Includes .10 Earmark***)	E		0.50%
- Non Hospital Cost Growth	F		0.00%
Net Other Adjustments	G	Sum of E thru G	0.50%
-Reverse prior year's PAU savings reduction	H	TBD	1.25%
-PAU Savings	I	TBD	-1.25%
-Reversal of prior year quality incentives	J		0.00%
-Positive incentives & Negative scaling adjustments	K		0.00%
Net Quality and PAU Savings	L =	Sum of H thru K	0.00%
Net increase attributable to hospitals	M =	Sum of A + B + C + D + G + L	3.26%
Per Capita	N =	(1+M)/(1+0.36%)	2.89%
Components of Revenue Offsets with Neutral Impact on Hospital Financial Statements			
-Uncompensated care reduction, net of differential	O		0.00%
-Deficit Assessment	P		0.00%
Net decreases	Q =	O + P	0.00%
Revenue growth, net of offsets	R =	M + Q	3.26%
Per capita revenue growth	S =	(1+R)/(1+0.36%)	2.89%

* Provided Based on proportion of drug cost to total cost

**Propect adjustment for new outpatient infusion and chemotherapy drugs (50% of estimated)

***Earmark 0.10 percent for new outpatient infusion and chemotherapy drugs (50% of actual)