# State of Maryland Department of Health and Mental Hygiene

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#### **Health Services Cost Review Commission**

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To: Hospital CFOs

Cc: Case Mix Liaisons; Quality Liaisons

From: Alyson Schuster, Ph.D., Associate Director – Performance Measurement

Date: March 31, 2015

Re: Maryland Hospital Acquired Condition (MHAC) Program Scaling for RY2017

This memo summarizes the magnitude of revenue at-risk and payment scale for the RY2017 MHAC Program. A previous memo was sent on February 5, 2015 with other performance measurement methodology details for the FY2017 MHAC program, including the 7% statewide improvement goal from base period of FY2014 to performance period of CY2015. All memos and supporting materials will be posted on the HSCRC website (<a href="http://hscrc.maryland.gov/init\_qi\_MHAC.cfm">http://hscrc.maryland.gov/init\_qi\_MHAC.cfm</a>).

### 1) Magnitude of Revenue At-Risk

On March 13, 2015 the Commission approved the following Aggregate Revenue Amount At-Risk staff recommendations for the MHAC program:

- 1. 3% maximum penalty if statewide improvement target is not met; 1% maximum penalty and up to 1% reward if statewide improvement target is met.
- Staff recommends removing the revenue neutrality requirement for the rate year RY 2016 to recognize the large improvements in PPCs achieved by the hospitals during this performance period.

The reduction from 4% to 3% recognizes the improvements that were made in CY2014, but continues to place a significant amount of revenue at-risk to ensure continued quality improvement. The rewards and penalties will also not be revenue neutral in FY2017. Across all quality programs the Commission also approved a hospital maximum penalty guardrail of 3.5% of total revenue for RY2017. As communicated in February 5<sup>th</sup> memo, the statewide improvement target approved by the Commission is a 7% improvement in the risk-adjusted PPC rate comparing FY2014 to CY2015.

#### 2) Payment Scale

Continuing from previous year, the payment scale is based on preset points. Appendix A contains the updated payment scale that will be used for RY2017. This scale uses the CY2013 lowest and highest scores to set the maximum penalties and rewards. For the scale where the state does not hit the minimum improvement target all hospitals with a score of less than 0.44 would be penalized. If the statewide target is met, the bottom 1/3<sup>rd</sup> of base period scores would be in the penalty zone, the middle 1/3<sup>rd</sup> would be in the no penalty zone, and the top 1/3<sup>rd</sup> of scores would be in the reward zone. Based on FY2014 base year score distribution, penalties will end at 0.33 points, and rewards will start at 0.44 points. Appendix B models scenarios for hospital scores and associated revenue adjustments with a 5% improvement across all hospitals (below statewide 7% target) and an 8% improvement (above the statewide target).

If you have any questions, please email <a href="mailto:hscrc.quality@maryland.gov">hscrc.quality@maryland.gov</a> or call Dr. Alyson Schuster at 410-764-2673.

## Appendix A: MHAC Payment Scale for RY2017

3. Scaling for Penalties and Rewards based upon Final MHAC Scores Performance Year CY2015 State Quality Target = 7%

Final MHA	C Score	Below State	Exceed State		
		Quality Target	Quality Target		
Scores less than					
or equal to	0.17	-3.00%	-1.00%		
	0.18	-2.89%	-0.94%		
	0.19	-2.78%	-0.88%		
	0.20	-2.67%	-0.81%		
	0.21	-2.56%	-0.75%		
	0.22	-2.44% -2.33%	-0.69%		
	0.23 0.24	-2.33% -2.22%	-0.63% -0.56%		
	0.24	-2.22%	-0.50%		
	0.25	-2.11%	-0.50%		
	0.26	-2.00%	-0.44%		
	0.28	-1.78%	-0.31%		
	0.29	-1.67%	-0.25%		
	0.30	-1.56%	-0.19%		
	0.31	-1.44%	-0.12%		
	0.32	-1.33%	-0.06%		
	0.33	-1.22%	0.00%		
	0.34	-1.11%	0.00%		
	0.35	-1.00%	0.00%		
	0.36	-0.89%	0.00%		
	0.37	-0.78%	0.00%		
	0.38	-0.67%	0.00%		
	0.39	-0.56%	0.00%		
	0.40	-0.44%	0.00%		
	0.41	-0.33%	0.00%		
	0.42	-0.22%	0.00%		
	0.43	-0.11%	0.00%		
	0.44	0.00%	0.03%		
	0.45	0.00%	0.05%		
	0.46	0.00%	0.08%		
	0.47	0.00%	0.11%		
	0.48	0.00%	0.14%		
	0.49	0.00%	0.16%		
	0.50	0.00%	0.19%		
	0.51	0.00%	0.22%		
	0.52	0.00%	0.24%		
	0.53	0.00%	0.27%		
	0.54	0.00%	0.30%		
	0.55	0.00%	0.32%		
	0.56	0.00%	0.35%		
	0.57	0.00%	0.38%		
	0.58	0.00%	0.41%		
	0.59	0.00%	0.43%		
	0.60	0.00%	0.46%		
	0.61	0.00%	0.49%		
	0.62	0.00%	0.51%		
	0.63	0.00%	0.54%		
	0.64	0.00%	0.57%		
	0.65	0.00%	0.59%		
	0.66	0.00%	0.62%		
	0.67	0.00%	0.65%		
	0.68	0.00%	0.68%		
	0.69	0.00%	0.70%		
	0.70	0.00%	0.73%		
	0.71	0.00%	0.76%		
	0.72	0.00%	0.78%		
	0.73	0.00%	0.81%		
	0.74	0.00%	0.84%		
	0.75	0.00%	0.86%		
	0.76	0.00%	0.89%		
	0.77	0.00%	0.92%		
	0.78	0.00%	0.95%		
	0.79	0.00%	0.97%		
Scores greater	· <del>-</del>				
han or equal to	0.80	0.00%	1.00%		
Penalty thr	eshold:	0.44	0.33		

\*Minimum and maximum scaling scores based on CY 2013 Final Data Attainment Scores (same scale as used for FY2016). The cutoff scores for the scale where the statewide target is met, were determined using the FY 2014 data (1/3rd lowest scores penalized and top 1/3rd highest scores rewarded).

# Appendix B: MHAC Modeling Results for RY2017

Scaling Modeling for MHAC for FY 2017			Scenario 1: Scaling for Below State Quality Target				Scenario 2: Scaling for Exceed Target of			
	Hospital Name	Estimated Inpatient Revenue (FY15*2.6%)	Base FY2014 Score	Projected MHAC SCORE For Performance Year with 5 % Improvement	% Adjustment	\$ Adjustment	Adjusted Amounts	Projected MHAC SCORE For Performance Year with 8 % Improvement	% Adjustment	\$ Adjustment
	MAXIMUM PENALTY				-3.00%				-1.00%	
	PENINSULA REGIONAL	\$233,728,496	0.19	0.22	-2.44%	\$ (5,713,363)			-0.38%	\$ (876,482)
	HOLYCROSS	\$319,596,342	0.21	0.22	-2.44%	\$ (7,812,355)			-0.38%	\$ (1,198,486)
	SUBURBAN	\$181,410,188	0.2	0.23	-2.33%	\$ (4,232,904)			-0.38%	\$ (680,288)
	SOUTHERN MARYLAND	\$163,208,213	0.23	0.24	-2.22%	\$ (3,626,849)			-0.25%	\$ (408,021)
	G.B.M.C.	\$201,533,345	0.25	0.27	-1.89%	\$ (3,806,741)			-0.13%	\$ (251,917)
	HOWARD COUNTY	\$167,386,497	0.24	0.27	-1.89%	\$ (3,161,745)			-0.13%	\$ (209,233)
	JOHNS HOPKINS	\$1,292,515,919	0.25	0.29	-1.67%	\$ (21,541,932)			-0.06%	\$ (807,822)
	UNIVERSITY OF MARYLAND	\$863,843,449	0.25	0.29	-1.67%	\$ (14,397,391)			-0.06%	\$ (508,143)
	UNION MEMORIAL	\$242,505,500	0.28	0.29	-1.67%	\$ (4,041,758)			-0.06%	\$ (142,650)
	CARROLL COUNTY	\$138,209,278	0.29	0.31	-1.44%	\$ (1,996,356)			0.00%	\$ -
	ANNE ARUNDEL	\$310,117,075	0.29	0.32	-1.33%	\$ (4,134,894)	\$ (1,927,803)	0.36	0.00%	\$ -
	BALTIMORE WASHINGTON									
	MEDICAL CENTER	\$223,155,126	0.3	0.32	-1.33%	\$ (2,975,402)			0.00%	\$ -
210051	DOCTORS COMMUNITY	\$136,225,391	0.32	0.34	-1.11%	\$ (1,513,615)	\$ (705,690)	0.38	0.00%	\$ -
210040	NORTHWEST	\$142,186,717	0.33	0.36	-0.89%	\$ (1,263,882)	\$ (589,257)	0.40	0.00%	\$ -
210012	SINAI	\$429,154,679	0.33	0.37	-0.78%	\$ (3,337,870)	\$ (1,556,208)	0.40	0.00%	\$ -
210034	HARBOR	\$124,002,220	0.35	0.37	-0.78%	\$ (964,462)	\$ (449,659)	0.40	0.00%	\$ -
210016	WASHINGTON ADVENTIST	\$161,698,669	0.34	0.36	-0.89%	\$ (1,437,322)	\$ (670,119)	0.41	0.00%	\$ -
	UPPER CHESAPEAKE					, , , , , , , ,				
210049	HEALTH	\$148,917,096	0.33	0.37	-0.78%	\$ (1,158,244)	\$ (540,006)	0.41	0.00%	\$ -
	UM ST. JOSEPH	\$216,335,128	0.34	0.37	-0.78%	\$ (1,682,607)			0.00%	\$ -
	MERITUS	\$187,434,497	0.36	0.38	-0.67%	\$ (1,249,563)		0.41	0.00%	\$ -
	FREDERICK MEMORIAL	\$189,480,763	0.36	0.38	-0.67%	\$ (1,263,205)		0.42	0.00%	\$ -
	ST. AGNES	\$239,121,556	0.36	0.39	-0.56%	\$ (1,328,453)			0.00%	\$ -
	MONTGOMERY GENERAL	\$87,652,208	0.37	0.39	-0.56%	\$ (486,957)			0.00%	\$ -
	MERCY	\$233,163,594	0.38	0.40	-0.44%	\$ (1,036,283)			0.03%	\$ 63,017
	DORCHESTER	\$25,127,935	0.4	0.40	-0.44%	\$ (111,680)			0.03%	\$ 6,791
	WESTERN MARYLAND	<del>+==,:=:,===</del>			<b>9</b> 111,70	Ţ (:::,e==)	Ţ (0=,000)	ş	0.00,0	7 5,
210027	HEALTH SYSTEM	\$184,484,266	0.38	0.41	-0.33%	\$ (614,948)	\$ (286,706)	0.44	0.03%	\$ 49,861
210055	LAUREL REGIONAL	\$77,501,975	0.40	0.41	-0.33%	\$ (258,340)	\$ (120,445)	0.45	0.05%	\$ 41,893
210015	FRANKLIN SQUARE	\$285,691,170	0.38	0.41	-0.33%	\$ (952,304)	\$ (443,991)	0.46	0.08%	\$ 231,641
	SHADY GROVE	\$228,731,775	0.42	0.45	0.00%	\$ -	\$ -	0.48	0.14%	\$ 309,097
210038	UMMC MIDTOWN	\$133,787,811	0.44	0.46	0.00%	\$ -	\$ -	0.49	0.16%	\$ 216,953
	HARFORD	\$47.089.618	0.48	0.49	0.00%	\$ -	\$ -	0.51	0.22%	\$ 101,815
	EASTON	\$94,828,132	0.45	0.48	0.00%	\$ -	\$ -	0.52	0.24%	\$ 230,663
	REHAB & ORTHO	\$69,104,846	0.47	0.49	0.00%	\$ -	\$ -	0.53	0.27%	\$ 186,770
	COUNT	\$67.852.189	0.49	0.51	0.00%	\$ -	\$ -	0.54	0.30%	\$ 201,723
	CALVERT		0.49	0.51	0.00%		. 7	0.54	0.30%	\$ 201,723 \$ 218,547
		\$67,385,287 \$177,243,165	0.48	0.51	0.00%	\$ - \$ -	\$ - \$ -	0.55	0.32%	\$ 218,547 \$ 574,843
	PRINCE GEORGE									
	GARRETT COUNTY	\$18,724,074	0.50	0.53	0.00%	Ψ	\$ -	0.57	0.38%	\$ 70,848
	GOOD SAMARITAN	\$180,861,011	0.52	0.54	0.00%	-	\$ -	0.57	0.38%	\$ 684,339
	HOPKINS BAYVIEW MED CTR	\$356,396,901	0.55	0.58	0.00%	-	\$ -	0.60	0.46%	\$ 1,637,499
	ST. MARY	\$69,520,305	0.55	0.58	0.00%	-	\$ -	0.61	0.49%	\$ 338,207
	FT. WASHINGTON	\$17,776,133	0.55	0.58	0.00%	-	\$ -	0.61	0.49%	\$ 86,478
	ATLANTIC GENERAL	\$38,640,762	0.58	0.59	0.00%	-	\$ -	0.62	0.51%	\$ 198,426
	CHARLES REGIONAL	\$76,338,049	0.59	0.61	0.00%	\$ -	\$ -	0.63	0.54%	\$ 412,638
	BON SECOURS	\$78,212,787	0.64	0.65	0.00%	-	\$ -	0.68	0.68%	\$ 528,465
	CHESTERTOWN	\$29,416,674	0.81	0.82	0.00%	\$ -	\$ -	0.84	1.00%	\$ 294,167
	MCCREADY	\$3,734,618	1	1	0.00%	\$ -	\$ -	1.00	1.00%	\$ 37,346
Total		\$8,961,031,432				\$ (96,101,424)				\$ 1,638,985
Penalty						-\$96,101,424	-\$44,805,157			-\$5,083,043
% Inpatient		33rd percentile	0.33			-1.1%				-0.06%
Reward		66th percentile	0.43			\$0	\$0			\$6,722,027
% Inpatient										0.08%