

TO: Chief Financial Officers
Hospital Reimbursement Contacts

FROM: Jerry Schmith, Director
Allan Pack, Director

DATE: July 19, 2021

RE: CY 2019 Volume Rebasing in RY 2022 Rate Files

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As part of the Integrated Efficiency Policy that was approved at the June 9, 2021 Commission meeting, volumes in Rate Year (RY) 2022 will be rebased to Calendar Year (CY) 2019. The purpose of this memorandum is to provide detail on the mechanics of how this will occur. This memo is being shared with CFOs and Hospital Reimbursement Contacts.

CY 2019 volumes will be utilized for two reasons. First, it is the most recent period without any COVID related impact. Second, Market Shift is done on a calendar year basis; thus rebasing to CY 2019 volumes accounts for all volume changes related to Market Shift. Unlike in prior years, CY 2019 volumes will not be volume adjusted to the prior year's rate file; however, population adjustments will still be applied. This population adjustment will include all volume related adjustments for RY 2022 plus volume adjustments from RY 2021 net of market shift and any retrospective adjustments made in RY2021 for volume changes that occurred prior to January 1, 2020. The below sections provide detail by tab of how Staff intends to rebase volumes in hospital rate files.

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Input Info Tab:

Section 5 of the Input Info tab will include a line for historical volume adjustments. These adjustments include historical volume adjustments from RY 2021 net of Market Shift and retrospective adjustments (i.e. the historical volume adjustment will include volume adjustments for Demographic, PAU, Complexity and Innovation, and any prospective hospital specific volume). It is important to note that due to the exclusion of Market Shift and retrospective volume adjustments, this number will not match the "Total Demographic/Population Adjustment" in the RY 2021 rate file on line 107 of the Input Info tab. To calculate the historical volume adjustment, set the Market Shift and retrospective volume adjustments in Column F of the RY 2021 rate file to 0. The 'Total Demographic/Population Adjustment' will recalculate with the correct historical volume adjustment being made in RY 2022.

5	Expected Volume Change	Adj. in \$ for Vol.	Change in Volumes	Adj. in \$ for Rev.	Change in Revenue
	Demographic Adjustment FY2022		0.01%		0.01%
	Market Shift CY 2020	\$0	0.00%	\$0	0.00%
	MSA2020Q1Q2 To Reverse	\$0	0.00%	\$0	0.00%
	Market Shift - Reserve	\$0	0.00%	\$0	0.00%
	PAU Adjustment for Volume FY 2022		-0.09%		
	Complexity and Innovation Adj FY 2022		0.00%		0.00%
	Historical Adjustment for Volume, FY 2021	\$0	0.35%		
	Reserve for future use 2	\$0	0.00%	\$0	0.00%
	Reserve for future use 3	\$0	0.00%	\$0	0.00%
	<u>Hospital Adjustment 1</u>	\$0	0.00%	\$0	0.00%

Rate center deregulation occurring after CY 2019 is handled on the rate realignment tab. If a hospital has any volume adjustments for deregulation in Section 5 of the Input Info tab for RY 2021, that volume adjustment has not been included as part of the historical volume adjustment calculation. It was either considered retrospective (e.g. had occurred on volumes prior to CY 2019) or was handled elsewhere in the rate files (e.g. on the realignment tab).

Hospital Rates Tab:

This tab will show the hospital's current rate order as well as CY 2019 volumes split into two six month periods. Data is split into two periods to account for RY 2020 conversion factors that will need to be applied to the RY 2019 portion of the CY 2019 volumes.

The snapshot below shows how Staff has applied any conversion factors to CY 2019 in columns S-V. Total CY 2019 volume (Column V) = (Column S * Column T) + Column U.

A	B	R	S	T	U	V	Y
Year Ending December 2019							
	Rate Center		1/1/19-6/30/19 Vol	FY 2020 Conv. Factor	7/1/19-12/31/19 Vol.	Total Volume	
	MSG		2,307	1.0000	1,766	4,073	
	PED		7	1.0000	7	14	
	OBS		221	1.0000	219	440	
	MIS		291	1.0000	264	555	
	NUR		255	1.0000	243	498	
	ADM		828	1.0000	694	1,522	
	EMG		80,692	.4718	38,423	76,496	

Volume Adjustment Tab:

The Volume Adjustment tab will flow similar to past years. CY 2019 volumes from the hospital rates tab will flow to column E. Due to rebasing there will not be an adjustment factor in column H. Volumes will, however, still be population adjusted (in column K) based on the 'Total Demographic/Population Adjustment' from Section 5 of the Input Info tab which includes the RY 2021 historical volume adjustments and all RY 2022 population adjustments.

A	B	C	D	E	F	G	H	I	J	K	L
Volume Adjustment											
	Current Rate Order										
	Center	Rate	Volume	Revenues	YE 12/31/19 Volumes	Add' Volume Adj %@ FY 2021 Rates	Factor	Volumes Adjusted	Place Holder	Volumes to RR	0.27%
0	MSG	1,209.8805	4,180	5,057,293	4,073	4,927,843	1.0000	4,073	1.000000	4,084	
1	PED	1,489.4981	23	33,750	14	20,853	1.0000	14	1.000000	14	
2	OBS	3,048.3963	466	1,420,925	440	1,341,294	1.0000	440	1.000000	441	
3	MIS	3,719.436	543	2,018,651	555	2,064,287	1.0000	555	1.000000	557	
4	NUR	1,344.6083	536	721,055	498	669,615	1.0000	498	1.000000	499	
5	ADM	503.4107	1,559	784,886	1,522	766,191	1.0000	1,522	1.000000	1,526	
5	EMG	76.2057	80,379	6,125,317	76,496	5,829,421	1.0000	76,496	1.000000	76,704	
7	CL	39.9267	87,079	3,476,774	90,781	3,624,588	1.0000	90,781	1.000000	91,028	
3	OR	37.6693	245,053	9,230,983	226,622	8,536,701	1.0000	226,622	1.000000	227,240	

Rate Realignment Tab:

As with prior years, the volumes from Column K of the Volume Adjustment tab will flow through to the Rate Realignment tab. Hospitals with a RY 2021 clinic volume adjustment will see that adjustment made in this tab, as CY 2019 volumes do not account for the reduction in clinic evaluation and management RVUs. These adjusted volumes will be used in the rate realignment process which will utilize the RY 2019 schedule M. Additionally, hospitals with recent rate center deregulation (after CY 2019) will see the volume and revenue removed on this tab and that revenue will be allocated to the remaining centers during the rate realignment process.

Staff believes that by updating volumes in hospital rate files to a more current period, management of hospital unit rates may be easier and the administrative burden of requesting continued rate relief may lessen.

If you have any questions regarding the above process, please don't hesitate to contact your rate analyst or Jerry Schmith (Jerry.Schmith@maryland.gov).