

442nd MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION

February 12, 2008

Chairman Donald A. Young, M.D. called the meeting to order at 9:01 a.m. Commissioners Raymond J. Brusca, J.D., Trudy R. Hall, M.D., James Lowthers, and Kevin J. Sexton were also present.

ITEM I
REVIEW OF THE MINUTES OF THE EXECUTIVE AND PUBLIC SESSIONS OF
JANUARY 9, 2008

The Commission voted unanimously to approve the minutes of the Executive Session and the revised minutes of the January 9, 2008 Public Meeting.

ITEM II
EXECUTIVE DIRECTOR'S REPORT

Robert Murray, Executive Director, updated the Commission on the activities and projects currently before the Commission. They include: 1) Inter-hospital Cost Comparison (ICC) and Reasonableness of Charges (ROC) recommendations; 2) the Quality Based Reimbursement Initiative; 3) the Corrective Action Task Force; 4) the Financial Conditions Report; 5) Outpatient Payment Reform; 6) Case Mix Recommendations for FY 2009; and 7) FY 2009 Volume Adjustment.

Mr. Murray reported that staff plans to roll out the ICC/ROC methodology in two phases. Phase I, to be presented at the March public meeting for Commission action at the April public meeting, involves the issuing of an ICC/ ROC analysis and the lifting of the moratorium on full rate applications in April. In addition, the recommendation will deal with changes to Indirect Medical Education (IME), spenddown thresholds, the case-mix measurement period, and outlier methodology.

Phase II will involve potential ICC/ROC methodology changes among other issues, e.g., IME and peer groups, as well as methodology changes suggested by the hospital industry. Methodology changes approved in Phase II would be utilized in the October ICC/ROC analysis.

Mr. Murray stated that since quality based reimbursement will begin in rate year 2009, staff intends to present a draft recommendation defining the structure of the program in April or May for action at the June public meeting.

Mr. Murray noted that the Corrective Action Task Force (CATF) identified a number of steps that may be taken to further improve the waiver test margin. The steps include: 1) projections of the impact of the elimination of Medicaid Day Limits; 2) Medicare utilization efforts; 3) high charge one day length of stay cases; 4) re-examination of cost allocations; and 5) the possible impact of the Health Insurance Expansion and Uniform Assessment proposal. Future meetings of the CATF will address further modification to the FY 2009 Update Factor. Staff intends to present draft recommendations in April with action to be taken at the May or June public meeting.

Mr. Murray reported that the Financial Conditions Work Group has received input on financing of hospital capital projects and access to capital from bond rating agencies, commercial banks, bond insurers, and institutional investors. Future meetings will involve discussions on labor trends and productivity issues. The Work Group has also assembled a sub group to look at data and to discuss potential changes to the financial indicators used to assess the financial condition of Maryland hospitals. Staff intends to present a draft Financial Conditions Report in April, with the final report to be issued in May or June.

Other technical issues and projects in which staff is involved include: 1) FY 2008 case mix draft recommendation to be presented by John O'Brien, Deputy Director-Research and Methodology, later in today's public meeting; 2) FY 2009 volume adjustment methodology to be discussed at the Financial Technical Task Force meeting; and 3) potential technical modifications to the Outpatient Payment System, as well as a final determination as to the appropriateness of corridors.

ITEM III
DOCKET STATUS CASES CLOSED

1957N – University of Maryland Medical Center 1969A – Johns Hopkins Health System
1970A – Frederick Memorial Hospital

ITEM IV
DOCKET STATUS CASES OPEN

There were no cases requiring Commission action.

ITEM V
DRAFT RECOMMENDATION ON CASE MIX ADJUSTMENTS FOR FY 2008

Mr. O'Brien summarized the draft recommendation on case mix adjustments for FY 2008. Mr. O'Brien stated that the rate agreement allows for case mix growth of up to 1.0%. Mr. O'Brien observed that the dramatic increases in depth of coding associated with the move to APR-DRGs have leveled off, and the risk of case mix growth resulting from more comprehensive coding

appears to be less significant. As a consequence, the governor methodology utilized in FY 2006 and FY 2007, which was designed to address significant changes in coding is no longer appropriate. However, because of continued improvements in depth of coding or increases resulting from collecting 30 diagnoses rather than 15, there is still a risk that measured case mix may exceed the amount budgeted. Therefore, staff anticipates that measured case mix for FY 2008 will fall between 1.3% and 1.6%, and pass through payments will grow by 0.2%. Based on these assumptions, staff recommends that the case mix growth be governed at 50% of measured case mix growth.

In addition, Mr. O'Brien noted that if the measured case mix exceeds the rate target, but governed case mix falls below the rate agreement, the excess allowed case mix will be distributed to hospitals. It will first be distributed to hospitals that have experienced negative case mix growth followed by positive case mix growth. These hospitals will be allowed ungoverned case mix growth for the amount of the decline. Any remaining unfunded case mix growth up to 1% will be distributed to hospitals proportionately based on the amount that their case mix growth exceeded approved case mix growth.

MARYLAND HOSPITAL ASSOCIATION'S COMMENTS ON OUTSTANDING ISSUES

Paul Sokolowski, Vice President –Maryland Hospital Association, stated that from a planning perspective, the hospital industry is interested in being able to project the effect of the policy decisions made by the Commission. Mr. Sokolowski urged the Commission to move forward as quickly as possible on the implementation of these matters on which policy decisions have already been made - - i.e., 1) the Outpatient Payment Constraint System; 2) the ICC/ROC and the full rate application moratorium; 3) the Volume Adjustment methodology; and 4) the FY 2008 case mix policy. Mr. Sokolowski noted that staff would be discussing their implementation at the February Financial Technical Task Force meeting. Final resolution of the implementation issues will then clear the way for discussions and decisions on the larger industry-wide issues, i.e., recommendations of the Corrective Action Task Force, the FY 2009 Update Factor, the provider assessment for FY 2009, the Financial Conditions Study, and the methodology to be used in the Quality -Based Reimbursement Initiative.

Mr. Murray stated that he understood the industry's concerns and agreed that, from a planning standpoint, the sooner we can arrive at some consensus over these issues, the better.

ITEM VI **HEARING AND MEETING SCHEDULE**

March 5, 2008	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room
April 9, 2008	Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

There being no further business, the meeting was adjourned at 9:27 a.m.