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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

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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 ([http://hscrc.maryland.gov/init\\_qi\\_MHAC.cfm](http://hscrc.maryland.gov/init_qi_MHAC.cfm)).

### 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.
2. 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 [hsrcr.quality@maryland.gov](mailto:hsrcr.quality@maryland.gov) 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 MHAC Score	Below State Quality Target	Exceed State 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%	-0.69%
0.23	-2.33%	-0.63%
0.24	-2.22%	-0.56%
0.25	-2.11%	-0.50%
0.26	-2.00%	-0.44%
0.27	-1.89%	-0.38%
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 than or equal to 0.80	0.00%	1.00%
<b>Penalty threshold:</b>	<b>0.44</b>	<b>0.33</b>
<b>Reward Threshold</b>	<b>No rewards</b>	<b>0.43</b>

\*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).

