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DEPARTMENT OF HEALTH AND MENTAL HYGIENE



**HEALTH SERVICES COST REVIEW COMMISSION**

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## **New Statewide initiative to link hospital payments to lower complication rates will improve quality and save money**

BALTIMORE, MD (June 10, 2009) – The Maryland Health Services Cost Review Commission (HSCRC) has voted to approve a new payment-related methodology that will provide hospitals with strong financial incentives to reduce the frequency of hospital-based complications. This initiative, effective July 1, is expected to dramatically improve the quality and efficiency of patient care in the State's 47 acute care hospitals.

Maryland is the only state in the nation to have the authority to establish hospital payment levels applicable to all payers (both private insurance companies and public insurers such as Medicare and Medicaid). Given this unique system, Maryland hospitals are exempt from the payment decreases for Hospital Acquired Conditions (HACs) implemented by the Centers for Medicare and Medicaid Services (CMS) beginning October 1, 2008. This exemption enabled the HSCRC to build upon the basic concept of the federal approach and craft a payment methodology that is much broader than the CMS initiative, more appropriate for all patients, and consistent with the State's unique risk-adjusted payment structure.

The methodology, which commences July 1, 2009, will link payments to hospital performance on a proposed set of 50 Maryland Hospital Acquired Conditions (MHACs) across all-payers and patients in the State. MHACs were derived from a list of 64 Potentially Preventable Complications (PPCs). PPCs are complications that are unlikely to be a consequence of the

natural progression of an underlying illness. PPCs are not present when the patient is first admitted and, thus, are associated with the care during the hospitalization. Examples of these 52 categories of preventable complications include Urinary Tract Infection, Septicemia (infection in the blood), and iatrogenic Pneumothrax (collapsed lung). During fiscal year 2008, these hospital-based preventable complications were present in approximately 55,000 of the State's total 800,000 inpatient cases and represented \$522 million in potentially preventable hospital payments.

The proposed MHAC methodology will provide a system of payment incentives based on a hospital's actual number of complications versus a statewide target rate for each of the proposed 52 MHAC categories. Under this approach, hospitals will face strong financial incentives to reduce complication rates. They will also be armed with a sophisticated data analysis tool that will enable them to systematically help achieve this collective goal of reducing complications.

The report entitled, "Final Staff Recommendations Regarding HSCRC Payment Policy for Highly Preventable Hospital Acquired Conditions," was approved by the Commission at its June 3 meeting is available at the following URL: [http://www.hscrc.state.md.us/init\\_qi\\_MHAC.cfm](http://www.hscrc.state.md.us/init_qi_MHAC.cfm)

This initiative also provides a template for the HSCRC to work collaboratively with the hospital and payer industries to develop a system of payment incentives to reduce Potentially Preventable Readmissions (PPRs), which it expects to implement in 2010. A methodology to reduce preventable readmissions is consistent with health reform recommendations from the White House, Congress, and the Medicare Prospective Payment Commission (Medpac).

According to the Commission's Executive Director Robert Murray: "Maryland has long been a leader in the United States in the areas of hospital cost containment, access to care, equity in payment, financial stability and accountability. With the implementation of its MHAC and re-admission based methodologies, Maryland will distinguish itself as the leader in the nation in the area of clinical care quality as well."

For further information about the Commission's MHAC initiative and other quality-based payment activities contact Robert Murray or Diane Feeney, Commission staff. (410) 764-2605  
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Note: PPRs and PPCs are a product of 3M's Health Information Systems, Inc.