



## Draft Recommendations for Balanced Update

Payment Models Workgroup  
May 2015

## Balanced Update Model

### Components of Revenue Change Linked to Hospital Cost Drivers/Performance

		<b>Weighted Allowance</b>
Adjustment for inflation/policy adjustments	A	2.40%
Adjustment for volume	B	0.57%
-Demographic Adjustment		
-Transfers (\$1 M -\$5 M impact)		
-Categoricals		
-Market share adjustments (\$4 M est. impact)		
	} 0.1%	
Utilization Impact of Medicaid Expansion (\$60 M)	C	0.38%
Infrastructure allowance provided	D	0.59%
- 0.40% included in GBR rates on 7/1/15 (Net .34% adjustment since TPR & non-global revenues are excluded))		
- Upto another 0.25% allocated via a competitive process in January 2016		
CON adjustments-		
-Opening of Holy Cross Germantown Hospital	E	0.21%
Net increase before adjustments	F = A + B+ C+ D + E	4.15%
Other adjustments (positive and negative)		
-Set aside for unknown adjustments	G	0.50%
-Reverse prior year's shared savings reduction	H	0.40%
-Positive incentives (Readmissions and Other Quality)	I	0.15%
-Shared savings/negative scaling adjustments	J	-0.60%
Net increase attributable to hospitals	K = F + G + H + I+ J	4.60%
Per Capita	L = (1+K)/(1+0.57%)	4.00%
<b><u>Components of Revenue Change - Not Hospital Generated</u></b>		
-Uncompensated care reduction, net of differential	M	-0.84%
-MHIP (Assumes \$0 MHIP in 2016)/2015 BRFA adjustment	N	-0.57%
Net decreases	O = M + N	-1.41%
Net revenue growth	P = K + O	3.19%
Per capita revenue growth	Q = (1+P)/(1+0.57%)	2.61%

# Proposed Update Maintains Compliance with All-Payer Test

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<b>Compliance with All-Payer Test</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D=(1+A)*(1+B)*(1+C)</b>
	<b>Actual Jan to June 2014</b>	<b>Staff Est. FY 2015</b>	<b>Proposed FY 2016</b>	<b>Cumulative Thru FY 2016</b>
<b>Maximum Per Capita Revenue Growth Allowance (E)</b>	1.79%*	3.58%	3.58%	<b>9.21%</b>
<b>Per Capita Growth for Period</b>	0.57%**	1.99%	2.61%	<b>5.24%</b>
<b>Per Capita Growth with Savings from Uncompensated Care and MHIP Declines (that do not adversely impact hospital bottom lines) removed (F)</b>	0.57%	3.07%	4.00%	<b>7.80%</b>
<b>Per Capita Difference Between Cap &amp; Projection (G = E-F)</b>				<b>1.41%</b>

# Proposed Update is Aligned with FY 2016 Medicare Savings Goal

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## Comparison of Medicare Savings Goal to Staff Recommendation

### Comparison to Modeled Requirements

Revenue Growth

Per Capita Growth

<b>All-Payer Maximum to Achieve Medicare Savings</b>	<b>Staff Recommended All-Payer Growth</b>	<b>Difference</b>
3.45%	3.19%	-0.26%
2.87%	2.61%	-0.26%



# Summary of Recommendations

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## ▶ Base Update

- ▶ 2.4% for revenues under global budgets
- ▶ 1.6% for revenues subject to waiver but excluded from global budgets
- ▶ 1.9% for psychiatric hospitals and Mt. Washington Pediatric Hospital

## ▶ Infrastructure

- ▶ Require all hospitals to submit multi-year plans for improving care coordination, chronic care, and physician alignment by December 1, 2015
- ▶ 0.4% adjustment to FY 2016 GBR budgets to provide new infrastructure funding
- ▶ Upto an additional 0.25% available through competitive awards to hospitals implementing or expanding innovative care coordination, physician alignment, and population health strategies.

## ▶ Medicaid Deficit Assessment

- ▶ Calculate for FY 2016 at same total amount as FY 2015 and apportion it between hospital funded and rate funded in same total amounts as FY 2015.