

Draft Recommendation for Shared Savings Program for
Rate Year 2016

Health Services Cost Review Commission
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A. Introduction

The Commission approved a shared savings policy on May 1, 2013, which reduced hospital revenues based on risk-adjusted readmission rates using specifications set forth in the Admission-Readmission Revenue Constraint Program (ARR). The program was developed to maintain Maryland's exemption from the CMS readmission program and required a reduction of 0.3 percent of inpatient revenues in the state during FY2015. This draft recommendation proposes the continuation of the shared savings policy and aligning the measurement definitions with readmission reduction program.

B. Background

Exemption Criteria from CMS Quality-Based Payment Programs

As of federal fiscal year 2013, Section 3025 of the Patient Protection and Affordable Care Act (H.R. 3590) requires the Secretary of Health and Human Services to reduce payments to hospitals relative to excess readmissions as a means of reducing Medicare readmissions nationally. Medicare requires Inpatient Prospective Payment System (IPPS) hospitals outside of Maryland to engage in Medicare's Hospital Readmissions Reduction program. According to this IPPS rule published for FFY 2015, the Secretary is authorized to exempt Maryland hospitals from the Medicare Readmissions Reduction Program if Maryland submits an annual report describing how a similar program in the State achieves or surpasses the nationally measured results for patient health outcomes and cost savings under the Medicare program. As mentioned in other quality-based payment recommendations, the new All-Payer model changed the criteria for maintaining exemptions from the CMS programs. As part of the CMMI contract, the aggregate maximum revenue at risk in Maryland quality/performance based payment programs must be equal to or greater than the aggregate maximum revenue at risk in the CMS Medicare quality programs.

Approved Methodology to Implement Shared Savings Program

The approved shared savings methodology the HSCRC calculates a case mix adjusted readmission rate based on ARR specifications (intra-hospital readmissions excluding 0-1 day stays with planned admission exclusions) for each hospital for the base period and determines a statewide required percent reduction in readmission rates to achieve the revenue for shared savings. The case mix adjustment is based on observed vs. expected readmissions, calculated using the statewide average readmission rate for each DRG SOI cell and aggregated for each hospital. HSCRC staff then applies a shared savings benchmark to the risk-adjusted readmission rate to calculate the contribution from each hospital. The shared savings benchmark is the required percent reduction in readmissions necessary to achieve the predetermined revenue for shared savings.

C. Assessment

HSCRC staff is proposing to calculate risk-adjusted readmission rates of each hospital for calendar year 2014 using the measurement specifications developed for the Readmission Reduction Incentive program (RRIP) to be used as the basis of shared savings reductions (Appendix 1), which includes readmissions to other hospitals. Statewide required reductions in

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readmission rates are determined based on the proposed revenue reduction in total revenue as described in Table 1.

Table 1: Calculation of Statewide Reduction based on 0.4% of total revenue shared savings

FY 15 Total Approved Permanent Revenue	A	\$14,597,436,909
Percent Inpatient	B	59.8%
Approved Inpatient Revenue	C = (A/B)	\$9,014,965,119
Proposed Required Revenue Reduction %	F	0.60%
Proposed Required Revenue Reduction (\$)	G=A*F	\$87,584,621
Total Discharges Included	D	539,233
Average Approved Charge Per Case	E=C/D	\$16,718
Readmission as a percent of Total Discharges	H	12.83%
Total Number of Readmissions	I = D*H	69,188
Required Reduction in Readmissions to achieve savings	J=G/E	(5,239)
Required New Readmission Rate	K=(I+J)/D	11.86%
Required Percent Reduction in Readmission Rate	L=K/H-1	-7.80%

Once the overall required reduction in readmission rates is determined, the hospital specific reduction as a percent of total revenue would be based on the following formula:

$$\text{Inpatient revenue percent reduction} = \text{Hospital Risk-Adjusted Readmission Rate} * \text{Statewide required reduction in readmission rate}$$

The conversion to reduction as a percent of total revenue then would be:

$$\text{Total revenue percent reduction} = \text{Inpatient percent revenue reduction} * \text{proportion of total revenue from inpatient.}$$

Appendix 2 provides the results of shared savings policy based on proposed 0.6% reduction in total patient revenues.

The existing shared savings reductions policy has a number of advantages:

- Every hospital contributes to the shared savings; however, the shared savings are distributed in proportion to each hospital’s case mix adjusted readmission rates in the base year.

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- The shared savings amount is not related to actual reduction in readmissions during the rate year, hence providing equitable incentive across all hospitals. Hospitals that reduce their readmission rates beyond the shared savings benchmark during the rate year will retain 100 percent of the difference between their actual reduction and the shared savings benchmark.
- When applied prospectively, the HSCRC sets and may adjust the targeted dollar amount for shared savings, thus guaranteeing a fixed amount of shared savings.
- As the shared savings contributions are calculated as a reduction in readmissions in the current ARR program, the methodology does not rank hospitals based on readmission rates, which require adjustment for inter-hospital and out-of-state readmissions.

The measurement for future years will need to be expanded as majority of hospitals will be under global budgets and will have incentives to reduce overall avoidable utilization not only readmissions,.

D. Recommendations

HSCRC staff recommends that the Commission to set the value of the shared savings amount to at 0.6 % of total permanent revenue in the state and move the shared savings readmission rate to a measure specified in Readmission Reduction Incentive Program.

**Appendix I: Risk Adjusted ARR Readmission Rates, CY 2014
(Preliminary Data)**

Hospital Name	CY2014					
	Total Admissions in Denominator	Expected Readmissions*	Observed Readmissions	Observed Rate	Readmission Ratio	Risk Adjusted Rate
	A	B	C	D = C/A	E=C/B	F = E*Total D
MERITUS	15,597	2080.1	1,907	12.23%	0.9168	12.26%
UNIVERSITY OF MARYLAND	26,895	4213.8	4,559	16.95%	1.0819	14.47%
PRINCE GEORGE	10,990	1532.9	1,181	10.75%	0.7704	10.31%
HOLY CROSS	27,170	2939	2,753	10.13%	0.9367	12.53%
FREDERICK MEMORIAL	14,737	2027.3	1,691	11.47%	0.8341	11.16%
HARFORD	4,073	682.59	592	14.53%	0.8673	11.60%
MERCY	13,594	1427.2	1,453	10.69%	1.0181	13.62%
JOHNS HOPKINS	45,570	7033.6	7,816	17.15%	1.1112	14.86%
DORCHESTER	2,340	406.42	367	15.68%	0.9030	12.08%
ST. AGNES	15,436	2147.5	2,076	13.45%	0.9667	12.93%
SINAI	21,301	3028.2	3,071	14.42%	1.0141	13.57%
BON SECOURS	4,175	823.39	1,033	24.74%	1.2546	16.78%
FRANKLIN SQUARE	20,820	2961.6	2,945	14.15%	0.9944	13.30%
WASHINGTON ADVENTIST	10,946	1533.1	1,404	12.83%	0.9158	12.25%
GARRETT COUNTY	1,821	215.27	113	6.21%	0.5249	7.02%
MONTGOMERY GENERAL	7,837	1172.5	1,047	13.36%	0.8930	11.94%
PENINSULA REGIONAL	16,879	2311.4	2,035	12.06%	0.8804	11.78%
SUBURBAN	12,915	1866.3	1,598	12.37%	0.8562	11.45%
ANNE ARUNDEL	24,086	2536.9	2,291	9.51%	0.9031	12.08%
UNION MEMORIAL	11,770	1798.1	1,786	15.17%	0.9933	13.29%
WESTERN MARYLAND HEALTH SYS	10,884	1536.3	1,447	13.29%	0.9419	12.60%
ST. MARY	6,503	875.99	710	10.92%	0.8105	10.84%
HOPKINS BAYVIEW MED CTR	18,062	2642.4	2,914	16.13%	1.1028	14.75%
CHESTERTOWN	1,766	288.43	271	15.35%	0.9396	12.57%
UNION HOSPITAL OF CECIL COUN	4,959	747.22	579	11.68%	0.7749	10.37%
CARROLL COUNTY	10,147	1414.3	1,289	12.70%	0.9114	12.19%
HARBOR	6,787	898.36	876	12.91%	0.9751	13.04%
CHARLES REGIONAL	7,041	984.56	940	13.35%	0.9547	12.77%
EASTON	7,109	906.18	865	12.17%	0.9546	12.77%
UMMC MIDTOWN	5,285	1052.1	1,266	23.95%	1.2033	16.10%
CALVERT	5,273	733.93	482	9.14%	0.6567	8.78%
NORTHWEST	10,216	1729.4	1,798	17.60%	1.0397	13.91%
BALTIMORE WASHINGTON MEDICA	16,597	2528.5	2,674	16.11%	1.0575	14.15%
G.B.M.C.	15,809	1764.6	1,426	9.02%	0.8081	10.81%
MCCREADY	314	52.871	40	12.74%	0.7566	10.12%
HOWARD COUNTY	15,465	1957.1	1,744	11.28%	0.8911	11.92%
UPPER CHESAPEAKE HEALTH	10,784	1463.5	1,360	12.61%	0.9293	12.43%
DOCTORS COMMUNITY	8,396	1423.9	1,221	14.54%	0.8575	11.47%
LAUREL REGIONAL	4,263	609.21	603	14.14%	0.9898	13.24%
GOOD SAMARITAN	10,078	1736.9	1,808	17.94%	1.0409	13.92%
SHADY GROVE	18,632	2200.8	1,788	9.60%	0.8124	10.87%
REHAB & ORTHO	2,449	287.39	262	10.70%	0.9117	12.19%
FT. WASHINGTON	2,114	316.57	322	15.23%	1.0172	13.61%
ATLANTIC GENERAL	3,093	492.89	435	14.06%	0.8825	11.81%
SOUTHERN MARYLAND	12,269	1869.3	1,647	13.42%	0.8811	11.79%
UM ST. JOSEPH	15,986	1947.4	1,645	10.29%	0.8447	11.30%

Appendix 2: Proposed Shared Savings Policy Reductions for Rate Year 2016

Hospital Name	CY14 Risk Adjusted Rate	Inpatient Revenue Reduction	Proportion of Total Revenue from Inpatient	Percent Reduction in Total Revenue For RY 2016
B	C	D=C*7.80%	E	F=E*D
MERITUS	12.26%	-0.96%	57.40%	-0.55%
UNIVERSITY OF MARYLAND	14.47%	-1.13%	57.32%	-0.65%
PRINCE GEORGE	10.31%	-0.80%	46.74%	-0.38%
HOLY CROSS	12.53%	-0.98%	62.62%	-0.61%
HARFORD	11.60%	-0.90%	59.24%	-0.54%
MERCY	13.62%	-1.06%	57.27%	-0.61%
FREDERICK MEMORIAL	11.16%	-0.87%	62.34%	-0.54%
JOHNS HOPKINS	14.86%	-1.16%	43.92%	-0.51%
DORCHESTER	12.08%	-0.94%	56.33%	-0.53%
ST. AGNES	12.93%	-1.01%	61.90%	-0.62%
SINAI	13.57%	-1.06%	59.69%	-0.63%
BON SECOURS	16.78%	-1.31%	57.28%	-0.75%
FRANKLIN SQUARE	13.30%	-1.04%	60.06%	-0.62%
WASHINGTON ADVENTIST	12.25%	-0.96%	44.30%	-0.42%
GARRETT COUNTY	7.02%	-0.55%	56.43%	-0.31%
MONTGOMERY GENERAL	11.94%	-0.93%	56.85%	-0.53%
PENINSULA REGIONAL	11.78%	-0.92%	61.57%	-0.57%
SUBURBAN	11.45%	-0.89%	58.27%	-0.52%
ANNE ARUNDEL	12.08%	-0.94%	52.51%	-0.49%
UNION MEMORIAL	13.29%	-1.04%	51.49%	-0.53%
WESTERN MARYLAND HEALTH	12.60%	-0.98%	60.81%	-0.60%
ST. MARY	10.84%	-0.85%	48.21%	-0.41%
HOPKINS BAYVIEW MED CTR	14.75%	-1.15%	60.72%	-0.70%
CHESTERTOWN	12.57%	-0.98%	63.36%	-0.62%
UNION HOSPITAL OF CECIL CO	10.37%	-0.81%	69.00%	-0.56%
CARROLL COUNTY	12.19%	-0.95%	62.23%	-0.59%
CHARLES REGIONAL	12.77%	-1.00%	62.33%	-0.62%
HARBOR	13.04%	-1.02%	64.13%	-0.65%
EASTON	12.77%	-1.00%	62.20%	-0.62%
UMMC MIDTOWN	16.10%	-1.26%	72.04%	-0.90%
CALVERT	8.78%	-0.69%	59.21%	-0.41%
NORTHWEST	13.91%	-1.08%	48.87%	-0.53%
G.B.M.C.	10.81%	-0.84%	41.58%	-0.35%
BALTIMORE WASHINGTON ME	14.15%	-1.10%	49.18%	-0.54%
MCCREADY	10.12%	-0.79%	63.33%	-0.50%
LAUREL REGIONAL	13.24%	-1.03%	40.11%	-0.41%
UPPER CHESAPEAKE HEALTH	12.43%	-0.97%	53.41%	-0.52%
GOOD SAMARITAN	13.92%	-1.09%	60.02%	-0.65%
HOWARD COUNTY	11.92%	-0.93%	44.99%	-0.42%
DOCTORS COMMUNITY	11.47%	-0.89%	47.51%	-0.43%
SHADY GROVE	10.87%	-0.85%	48.05%	-0.41%
REHAB & ORTHO	12.19%	-0.95%	60.59%	-0.58%
FT. WASHINGTON	13.61%	-1.06%	69.60%	-0.74%
ATLANTIC GENERAL	11.81%	-0.92%	23.06%	-0.21%
SOUTHERN MARYLAND	11.79%	-0.92%	41.63%	-0.38%
UM ST. JOSEPH	11.30%	-0.88%	60.17%	-0.53%
Total	12.83%	-1.00%	59.82%	-0.60%

Appendix 3: Net Impact of Proposed Shared Savings Policy Reductions for Rate Year 2016

Hospital Name	Percent Reduction in Total Revenue For RY 2015	Percent Reduction in Total Revenue For RY 2016	Net Impact For RY2016
MERITUS	-0.47%	-0.55%	-0.08%
UNIVERSITY OF MARYLAND	-0.44%	-0.65%	-0.20%
PRINCE GEORGE	-0.35%	-0.38%	-0.02%
HOLY CROSS	-0.44%	-0.61%	-0.18%
HARFORD	-0.40%	-0.54%	-0.14%
MERCY	-0.26%	-0.61%	-0.35%
FREDERICK MEMORIAL	-0.29%	-0.54%	-0.25%
JOHNS HOPKINS	-0.48%	-0.51%	-0.03%
DORCHESTER	-0.29%	-0.53%	-0.24%
ST. AGNES	-0.39%	-0.62%	-0.24%
SINAI	-0.45%	-0.63%	-0.18%
BON SECOURS	-0.40%	-0.75%	-0.35%
FRANKLIN SQUARE	-0.43%	-0.62%	-0.19%
WASHINGTON ADVENTIST	-0.37%	-0.42%	-0.05%
GARRETT COUNTY	-0.17%	-0.31%	-0.14%
MONTGOMERY GENERAL	-0.35%	-0.53%	-0.18%
PENINSULA REGIONAL	-0.41%	-0.57%	-0.15%
SUBURBAN	-0.40%	-0.52%	-0.12%
ANNE ARUNDEL	-0.41%	-0.49%	-0.08%
UNION MEMORIAL	-0.36%	-0.53%	-0.17%
WESTERN MARYLAND HEALTH SYSTEM	-0.49%	-0.60%	-0.11%
ST. MARY	-0.33%	-0.41%	-0.08%
HOPKINS BAYVIEW MED CTR	-0.45%	-0.70%	-0.25%
CHESTERTOWN	-0.37%	-0.62%	-0.25%
UNION HOSPITAL OF CECIL COUNT	-0.32%	-0.56%	-0.24%
CARROLL COUNTY	-0.40%	-0.59%	-0.19%
CHARLES REGIONAL	-0.39%	-0.62%	-0.23%
HARBOR	-0.34%	-0.65%	-0.31%
EASTON	-0.31%	-0.62%	-0.31%
UMMC MIDTOWN	-0.31%	-0.90%	-0.59%
CALVERT	-0.27%	-0.41%	-0.13%
NORTHWEST	-0.48%	-0.53%	-0.05%
G.B.M.C.	-0.43%	-0.35%	0.08%
BALTIMORE WASHINGTON MEDICAL CENTER	-0.27%	-0.54%	-0.27%
MCCREADY	-0.11%	-0.50%	-0.39%
LAUREL REGIONAL	-0.43%	-0.41%	0.01%
UPPER CHESAPEAKE HEALTH	-0.31%	-0.52%	-0.20%
GOOD SAMARITAN	-0.39%	-0.65%	-0.26%
HOWARD COUNTY	-0.41%	-0.42%	-0.01%
DOCTORS COMMUNITY	-0.43%	-0.43%	0.01%
SHADY GROVE	-0.39%	-0.41%	-0.02%
REHAB & ORTHO	-0.05%	-0.58%	-0.53%
FT. WASHINGTON	-0.25%	-0.74%	-0.49%
ATLANTIC GENERAL	-0.23%	-0.21%	0.02%
SOUTHERN MARYLAND	-0.39%	-0.38%	0.01%
UM ST. JOSEPH	-0.34%	-0.53%	-0.19%
Total	-0.40%	-0.60%	-0.20%