

STATE OF MARYLAND
DEPARTMENT OF HEALTH AND MENTAL HYGIENE

Donald A. Young, M.D.
Chairman

Joseph R. Antos, Ph.D.
Raymond J. Brusca, J.D.
Trudy R. Hall, M.D.
C. James Lowthers
William H. Munn
Kevin J. Sexton



Robert Murray
Executive Director

Stephen Ports
Principal Deputy Director
Policy & Operations

Gerard J. Schmith
Deputy Director
Hospital Rate Setting

John J. O'Brien
Deputy Director
Research and Methodology

HEALTH SERVICES COST REVIEW COMMISSION
4160 PATTERSON AVENUE · BALTIMORE, MARYLAND 21215
AREA CODE 410-764-2605
FAX 410-358-6217
Toll Free 888-287-3229
Web Site: <http://www.hsrc.state.md.us/>

MEMORANDUM

To: Chief Financial Officers

From: Robert Murray *RuM*
Executive Director

Date: August 20, 2008

Re: Monthly Interim Rate Compliance Policy

The purpose of this memorandum is to inform you of the HSCRC's policy for monthly interim rate compliance. The number of consecutive months in which a hospital can be out of rate compliance before it is subject to a penalty has been changed in the Charge per Case agreement from six months to three months. The consecutive month period became six months when hospitals experienced difficulty in trying to maintain compliance in their Medical/Surgical Supplies and Cost of Drugs Overhead centers. However, maintaining compliance within the generous 30% corridors should no longer be a problem since the revenue allocated to these overhead centers has been substantially reduced through changes in rate realignment methodology this year.

Hospitals are provided with a rate order effective at the beginning of the fiscal year. However, because of timing constraints, this original rate order does not include the final case mix adjustment, nor does it contain the final price variances and penalties for the prior fiscal year. Subsequently, an amended final rate order is issued, which includes all of the missing adjustments.

Although hospitals must ultimately be in compliance with the amended final rate order for interim monthly rate compliance, the HSCRC urges hospitals to base their charges on the original rate order until the amended final order is received. If a hospital is in monthly rate compliance with the original rate order, but subsequently is found to be out of rate compliance with the amended rate order, it will not be penalized. On the other hand, if a hospital chooses to develop and charge rates that it believes will be more closely aligned with the rates on its amended final rate order, it may do so; however, such hospital will be at risk for monthly interim rate penalties when its internally developed rates are compared with the amended final rate order.

If you have questions concerning the above, you may contact Dennis Phelps at 410-764-2565, or Ellen Englert at 410-764-2562.