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569th MEETING OF THE HEALTH SERVICES COST REVIEW COMMISSION
March 11, 2020

EXECUTIVE SESSION

11:30 a.m.

(The Commission will begin in public session at 11:30 am for the purpose of, upon motion and approval, adjourning into closed session. The open session will resume at 1:00 p.m.)

1. Discussion on Planning for Model Progression – Authority General Provisions Article, §3-103 and §3-104
2. Update on Administration of Model - Authority General Provisions Article, §3-103 and §3-104

PUBLIC SESSION

1:00 p.m.

1. Review of the Minutes from the Public and Closed Meetings held on December 11, 2019
2. Docket Status – Cases Closed
 - 2497N – UM Shore Emergency Center Queenstown
 - 2512A - Johns Hopkins Health System`
 - 2514A - Johns Hopkins Health System
 - 2513A - Johns Hopkins Health System
 - 2515A - Johns Hopkins Health System
3. Docket Status – Cases Open
 - 2503R – Johns Hopkins Bayview Medical Center
 - 2516R – J. Kent McNew Family Medical Center
 - 2517A – University of Maryland Medical Center
 - 2518R – St. Agnes Hospital
4. Recommendation on J. Kent McNew Family Medical Center Full Rate Application
5. Final Recommendation on the Readmissions Reduction Incentive Program (RRIP) Policy for RY 2022
6. Policy Update and Discussion
 - a Executive Director’s Report
 - b Model Monitoring
 - c Legislative Update
 - d Medicare Advantage Grant Program

7. Hearing and Meeting Schedule

**Closed Session Minutes
Of the
Health Services Cost Review Commission**

February 12, 2020

Upon motion made in public session, Vice Chairman Antos called for adjournment into closed session to discuss the following items:

1. Discussion on Planning for Model Progression– Authority General Provisions Article, §3-103 and §3-104
2. Update on Administration of Model - Authority General Provisions Article, §3-103 and §3-104

The Closed Session was called to order at 12:01 p.m. and held under authority of §3-103 and §3-104 of the General Provisions Article.

In attendance in addition to Vice Chairman Antos were Commissioners Bayless, Cohen, Colmers, Elliott, and Kane. Chairman Sabatini participated by telephone.

In attendance representing Staff were Chris Peterson, Allan Pack, Jerry Schmith, William Henderson, Will Daniel, Alyson Schuster, Tequila Terry, Geoff Dougherty, Claudine Williams, Amanda Vaughn, Bob Gallion, and Dennis Phelps.

Also attending were Eric Lindemann, Commission Consultant, and Stan Lustman and Tom Werthman, Commission Counsel.

Item One

Staff summarized work priorities and progress on activities pertaining to the Maryland Total Cost of Care (TCOC) contract.

Item Two

Eric Lindemann, Commission Consultant, updated the Commission on Maryland Medicare Fee-For-Service TCOC versus the nation.

Item Three

Staff updated the Commission and the Commission discussed the Maryland Primary Care Program enrollment, payment, and performance.

Item Four

Staff described the Medicare Advantage grant approval process. Legal counsel provided advice on the policy approval process.

The Closed Session was adjourned at 12:56 p.m.

MINUTES OF THE
567th MEETING OF THE
HEALTH SERVICES COST REVIEW COMMISSION
February 12, 2020

Vice Chairman Joseph Antos called the public meeting to order at 12:01 pm. Commissioners Victoria Bayless, Stacia Cohen, John Colmers, James Elliott, M.D., and Adam Kane were also in attendance. Chairman Nelson Sabatini participated by telephone. Upon motion made by Commissioner Colmers and seconded by Commissioner Elliott, the meeting was moved to Closed Session. Vice Chairman Antos reconvened the public meeting at 1:08 p.m.

REPORT OF FEBRUARY 12, 2020 CLOSED SESSION

Mr. Dennis Phelps, Deputy Director, Audit & Compliance, summarized the minutes of the February 12, 2020 Closed Session.

ITEM I
REVIEW OF THE MINUTES FROM DECEMBER 11, 2019 CLOSED SESSION AND PUBLIC MEETING

The Commissioners voted unanimously to approve the minutes of the December 11, 2019 Public Meeting and the minutes of the Closed Session.

ITEM II
RECOMMENDATION ON ALTERNATIVES METHODS OF RATE DETERMINATION APPLICATIONS

Mr. Phelps presented Staff's recommendation on Staff's approval process for alternative methods of rate determination and payment (see Staff Recommendation on The Processing of Alternative Methods of Rate Determination (ARM) Applications on the HSCRC website).

The HSCRC is authorized by law to promote and approve alternative methods of rate determination and payment that are of an experimental nature in order to promote the most efficient and effective use of health care facility services, if it is the public interest and consistent with the law.

Alternative rate setting constitutes the Commission's efforts to encourage innovative and cost-saving payment arrangements without compromising the Commission's long-standing principles of equity and access. To preserve equity a hospital must be paid Commission approved rates and may not directly take financial risks. However, it may take risks through a related entity. Any hospital or related entity that seeks to contract for payment at other than Commission approved rates must receive prior Commission approval, especially if the arrangement involves financial risks.

Currently, hospitals are participating in two types of ARM Arrangements:

- 1) Global Price or Case-Rate Pricing - Bundling of a hospital's unit rates associated with the course of treatment for a particular patient visit or inpatient stay, encompassing as well the professional services provided during the course of treatment.
- 2) Capitation – Involving significant risk for a broad range of services including regulated hospital

services. There are two types of capitation arrangements: negotiated payment capitation arrangements, and non-negotiated capitation arrangements

Staff Recommends is as follows:

- 1) Discontinue staff recommendations and approval by the Commission for non-negotiated capitation arrangements.
- 2) Grant staff authority to approve global price and negotiated capitation arrangements, continue current reporting, and report to the Commission monthly (in the public meeting packet) on activity. Hospitals that contest staff's decision may come before the Commission to appeal the staff's decision.
- 3) Allow approval of global price and negotiated capitation arrangements for up to three years.
- 4) Initiate an Annual Special Audit Procedure to ensure that hospitals are being paid Commission approved rates by related entities for hospital services provided to ARM patients.

The Commissioners voted unanimously in favor of Staff's recommendation.

ITEM III
CASES CLOSED

2490R – Suburban	2492A - MedStar Health
2493A - Johns Hopkins Health System	2499A – Maryland Physicians Care
2506A - University of Maryland Medical Center	2506A - University of Maryland Medical Center
2508A - Johns Hopkins Health System	2509A - Johns Hopkins

ITEM IV
OPEN CASES

UNIVERSITY OF MARYLAND SHORE EMERGENCY CENTER AT QUEENSTOWN

On April 30, 2019, The University of Maryland Shore Emergency Center at Queenstown (“Hospital”), a member of the University of Maryland Medical System, submitted a partial rate application to the Commission pursuant to COMAR 10.37.10.03-1. The Hospital requests to establish a unit rate for Observation (OBV) effective March 1, 2020.

After reviewing the Hospital's application, the staff recommends as follows:

1. That an OBV rate of \$72.93 per hour be approved effective March 1, 2020;
2. That the OBV rate center not be rate realigned until a full year of cost data has been reported to the Commission; and
3. That the OBV services will be subject to the provisions of the Global Budget Revenue polices.

The Commissioners voted unanimously in favor of Staff's recommendation.

ITEM V

RECOMMENDATION ON ONE-TIME ADJUSTMENT TO CAPITAL REGION HOSPITALS

Mr. Jerry Schmith, Director Revenue & Compliance, Population Based Methodologies, presented Staff's final recommendation concerning the one-time adjustment to Capital Region Hospitals (see "Recommendation for University of Maryland Capital Region Health" on the HSCRC website).

Effective January 1, 2019, the University of Maryland Capital Region Health discontinued inpatient services at the University of Maryland Laurel Regional Hospital (Laurel) and relocated those services to the University of Maryland Prince George's Hospital Center (PGHC). With the relocation of inpatient services, Laurel became a Freestanding Medical Facility (FMF). The conversion of Laurel from an acute care hospital to an FMF began in the fall of 2018 with the relocation of Inpatient Chronic and Inpatient Rehabilitation services. The remaining Inpatient Medical Surgical, Intensive Care, and Psychiatric Services were relocated on January 1, 2019. The fixed costs retained by PGHC would be used to pay for the principal and interest associated with the borrowing needed to finance the construction of a new hospital facility in Landover, Maryland.

Effective January 1, 2019, Staff transferred \$58,642,874 from Laurel to PGHC to account for all of the inpatient services that were anticipated to be transferred to PGHC. In November of 2019, the Staff estimated that of the \$58.6 million in revenue total transferred, \$51.9 million represented patients receiving care at other hospitals. Applying the standard 50 percent variable cost factor for market shift associated with the movement of those volumes to other facilities resulted in a reduction of (\$25,393,431) to the GBR of PGHC. In December of 2019, the Staff further recommended, and the Commission approved, the removal from PGHC's GBR of an additional (\$1,666,948) related to dissipation and savings to the public. The total permanent reduction to PGHC's GBR approved at that time was (\$27,060,379), and the retaining revenue transferred to PGHC after the adjustments for market shift and dissipation was \$31,582,495. However, that still left a \$13.5 million one-time adjustment unaccounted for in the recommendation. The Commission directed Staff to develop a recommendation regarding the treatment of these one-time monies.

Staff and representatives from PGHC discussed various scenarios to pay back these one-time monies. All scenarios contemplated a payback period of 3 to 4 years and included requirements regarding quality improvements and cost reductions. Dr. Mohan Suntha, President and CEO of the University of Maryland Medical System (UMMS) (Parent of UM Capital Region Health), suggested making an additional permanent adjustment in order to settle this matter and allow PGHC to enact changes without the threat of unknown or unbudgeted revenues occurring over the next few years. Staff believes that a \$4 million additional permanent adjustment would be adequate even if the market shift estimates are understated. In addition, staff will continue to monitor quality improvements. PGHC had approximately \$6.0 million removed from its FY 2020 GBR due to low quality scores.

Additionally, the Staff will continue to monitor UMMS cost cutting activities. UMMS and PGHC representatives have assured the Staff that quality improvements and cost reductions are imperative in order for PGHC to succeed.

Therefore, Staff recommends that an additional (\$4.0 million) permanent reduction be implemented effective for fiscal year 2020. This would result in a total permanent reduction of (\$31,060,379) and allows PGHC to retain \$27,582,495 to cover the costs associated with the new hospital facility.

Dr. Suntha reiterated the organization's global focus to provide high quality health care options across the State of Maryland and how transformative this project is to Prince George's County. Dr. Suntha agreed with Staff's decision of making this a permanent adjustment as opposed to a one-time adjustment, in order to reduce uncertainty and timing of future adjustments.

Commissioner Kane asked for an update on the progress of the new hospital. Dr. Suntha stated that the new hospital is 15 months from opening, and is on schedule and on budget. One of the largest challenges they anticipate will be transforming the culture of the organization. While a new building will provide the resources to deliver care, he suggested that the focus and work effort need to be in improving quality.

Commissioner Elliot asked what UMMS is doing to engage the community physicians into the health system.

Dr. Joseph Wright, Interim CEO of Maryland Capital Region Hospitals, replied that it has been their objective to integrate the physician community into UMMS and the School of Medicine to address the long standing health needs of the community.

The Commissioners voted unanimously in favor of Staff's recommendation.

ITEM VI **FINAL INNOVATION POLICY**

Mr. Allan Pack, Director Population Based Methodologies presented Staff's final recommendation for the Complexity and Innovation Policy (see "Final Recommendation for a Complexity and Innovation Policy" on the HSCRC website).

In the first three years of the All-Payer Model, the Commission addressed the concern that access to highly specialized care and healthcare innovation in Maryland could potentially be restricted under the new Model by carving out these types of cases, known as categorical exclusions, from methodologies that regulate most of the State's hospital volume. Specifically, in-state, inpatient categorical exclusions were removed from the market shift policy, and categorical cost growth was funded prospectively based on a 50 percent variable cost per case except for the cost of drugs, supplies, and organ acquisition, where the funding was 100 percent of estimated costs. However, because this funding mechanism was not meeting the needs of Academic Medical Centers (AMC), the Commission moved away from funding categorical exclusions in RY 2017 and instead has provided prospective "Intensity Adjustments" in the annual Update Factor policy recommendation.

In both the RY 2019 and RY 2020 annual Update Factor policy recommendation, Commissioners expressed concern that continuing to provide funding for assumed growth with no verification is detrimental to a global fixed revenue system. AMCs also expressed concern that in the absence of a formulaic methodology that allows for growth in line with advances in medicine, providers of highly specialized, innovative care will erode hospital margins and could be faced with restricting access to tertiary and quaternary care. This is especially true under the larger global budget revenue framework, as AMCs were historically able to support the additional costs of highly specialized care by growing lower acuity, low variable cost care in a fee-for-service system, which is undesirable from an affordability standpoint and has been phased out in the Total Cost of Care Model.

Various stakeholders have posited that profitability or additional discretionary funding that was historically supported through volume growth has been substituted with the incentive to reduce Potentially Avoided Utilization (PAU), and therefore, AMCs have an opportunity to fund highly specialized care through reduced PAU and do not require a separate volume methodology. However, this opportunity is not uniform across all

hospitals.

In light of all these concerns, Staff has developed a methodology that determines highly specialized care through a cell dominance approach but still maintains the annual prospective funding mechanism, i.e., a working capital advance. In effect, the proposal creates a monitoring methodology to ensure that when volume growth associated with highly specialized care actually materializes, the working capital advance provided to the State's two AMCs can be prospectively realigned. Maintaining this funding mechanism ensures that AMCs have an allotment of funding for highly specialized care in line with historical annual growth, while at the same time keeping fidelity to the Total Cost of Care contract parameter that 95% of all Regulated Revenue for Maryland residents is paid according to a Population-Based Payment methodology.

The final recommendations for the Complexity and Innovation Policy are as follows:

1. Determine the differential funding needs due to complexity and innovation at the University of Maryland Medical Center and Johns Hopkins Hospital through two measures of clinical significance:
 - a. A case mix acuity approach, whereby all cases with a case mix index of less than 1.5 will be excluded from the policy with the exception of newly emergent cases that were not in the base year performance ("Zero to Dominant")
 - b. A cell dominance approach, whereby in-state, inpatient cases are deemed highly specialized (referred to as "categorical exclusions") if the two academic medical centers comprise 95% or more of an ICD-10 procedure code.
 - Dominance will be assessed in four capacities:
 - ❖ Dominant, i.e. greater than or equal to 95%, in the Base Period to Dominant in the Performance Period
 - ❖ Zero in the Base Period to Dominant in the Performance Period
 - ❖ Dominant in the Base Period to Non-Dominant in the Performance Period
 - ❖ Dominant in the Base Period to Zero in the Performance Period
2. Prospectively fund a working capital advance in concert with the annual Update Factor that reflects historical annual growth rates for categorical exclusions cases and cumulative funding status.
 - ❖ Funding associated with the working capital advance will be part of the annual guardrail tests.
 - ❖ Non-Academic Medical Centers will be eligible for Complexity and Innovation funding but only retrospectively.
3. Remove categorical exclusions from various methodologies:
 - a. Market Shift
 - b. Transfers
 - c. Demographic Adjustment
 - d. Inter-Hospital Cost Comparison
 - e. Potentially Avoidable Utilization Shared Savings Program
4. For FY 2021, remove high cost outpatient drugs from the current definition of categorical exclusions and use the same approach currently applied state-wide for high cost outpatient drug growth (the CDS-A adjustment) to regulate volume funding.

Commissioner Antos asked why the categorical exclusion volume increased so much in 2018.

Mr. Pack stated that there was not one pervasive story as to why 2018 volumes increased so significantly compared to 2017 or 2019; however, there were many large jumps in specific procedures, such as kidney transplants, ECMO cases, and neonatology, which all contributed to the increase.

Commissioner Bayless asked Mr. Pack if he could comment on the likelihood of potential requests from non-AMCs.

Mr. Pack explained that the non-AMCs would be eligible to retrospectively request funding from the HSCRC for these procedures in lieu of receiving market shift and demographic adjustments. He added that initial modeling indicates Market Shift and Demographic Adjustments will likely be more lucrative to Non-AMCs than this methodology for innovative procedures.

Commissioner Elliot inquired about limitations to the magnitude of the mark-up.

Mr. Pack explained the HSCRC asks hospitals to tier mark-up so that higher cost items have lower mark-up.

Mr. Brett McCone, Senior Vice President of Healthcare Payment at Maryland Hospital Association (MHA), Dr. Redonda Miller, President of Johns Hopkins Hospital, Dr. Suntha and Mr. Dale Schumacher, Executive Consultant and President of the Rockburn Institute, spoke in support of the policy and the presented final recommendation.

Mr. Arin Foreman, Senior Director of Regulatory Affairs at CareFirst, spoke in support of the intent of the policy. He added that CareFirst recommends staff periodically report out to payers and stakeholders which procedure codes comprise the majority of the funding.

The Commissioners voted unanimously in favor of Staff's recommendation. Commissioner Colmers recused himself from discussion and vote.

ITEM VII

FINAL RECOMMENDATION ON MARYLAND HOSPITAL ACQUIRED CONDITIONS (MHAC) POLICY FOR RY 2022

Dr. Alyson Schuster Deputy Director, Quality Methodologies, presented Staff's final recommendation on the Maryland Acquired Conditions Policy for RY 2022 (see "Final Recommendation for the Maryland Acquired Conditions Program for RY 2022" on the HSCRC website)

The Maryland Hospital Acquired Conditions (MHAC) program is one of several pay-for-performance initiatives that provide incentives for hospitals to improve patient care and value over time. The MHAC policy currently holds 2 percent of hospital revenue at-risk for complications that occur during a hospital stay as a result of treatment rather than the underlying progression of disease. Examples of the types of hospital acquired conditions included in the current payment program are respiratory failure, pulmonary embolisms, and surgical-site infections.

The MHAC program, which was first implemented for RY 2011, is based on a system developed by 3M Health Information Systems (3M) to identify potentially preventable complications (PPCs) using present-on-admission codes available in claims data. 3M originally developed specifications for 65 PPCs, which are defined as harmful events that develop after the patient is admitted to the hospital and may result from processes of care and treatment rather than from the natural progression of the underlying illness. Thus, the MHAC program is designed to provide incentives to improve patient care by adjusting hospital budgets based on PPC performance.

With the commencement of the TCOC Model Agreement with CMS on January 1, 2019, the performance standards and targets in HSCRC's portfolio of quality and value-based payment programs are being reviewed and updated. This is in response to stakeholder requests that these policies be reviewed to ensure they remain in line with the goals of the Model, and that they maintain methodological validity. Additionally, because the State must also request annual exemptions from the CMS Hospital Acquired Conditions (HAC) program as well as from the other quality programs, in the State, another key aspect of these reviews is to demonstrate that Maryland's program results continue to be aggressive and progressive, i.e., meeting or surpassing those of the nation. In CY 2018, staff focused on the MHAC program redesign and convened a Clinical Adverse Events Measure (CAEM) subgroup with clinical and measurement expertise which made recommendations that were then further evaluated by the Performance Measurement Workgroup (PMWG) and approved by the Commission.

The major accomplishments of the MHAC program redesign were focusing the payment incentives on a narrower list of clinically significant complications, moving to an attainment only system given Maryland's sustained improvement on complications, adjusting the scoring methodology to better differentiate hospital performance, and weighting complications by their associated cost weights as a proxy for patient harm. The redesign also assessed how hospital performance is converted to revenue adjustments, and ultimately recommended maintaining the use of a linear prospective revenue adjustment scale with a hold harmless zone. Given the large changes that were implemented in RY 2021, this RY 2022 MHAC policy does not propose major changes to the program, although Staff proposes a process for re-evaluating the PPCs included in the program for future years and assesses hospital inclusion criteria.

The RY 2022 final recommendation provides updated performance data, methodology refinement considerations, and modeling of scores and revenue adjustments, but generally maintains the measures and methodology that were developed and approved for RY 2021.

The final recommendations for the Maryland Rate Year (RY) 2022 MHAC policy are as follows:

- Continue to use 3M PPCs to assess hospital-acquired complications.
 1. Maintain focused list of PPCs in payment program that are clinically recommended and that generally have higher statewide rates and variation across hospitals.
 2. Monitor all PPCs and provide reports for hospitals and other stakeholders.
 - a) Evaluate PPCs in "Monitoring" status that worsen and consider inclusion back into the MHAC program for RY 2023 or future policies.
- Use two years of performance data for small hospitals (i.e., less than 20,000 at-risk discharges and/or 20 expected PPCs).
- Continue to assess hospital performance on attainment only.
- Continue to weight the PPCs in payment program by 3M cost weights as a proxy for patient harm.
- Maintain a prospective revenue adjustment scale with a maximum penalty at 2 percent and maximum reward at 2 percent and continuous linear scaling with a hold harmless zone between 60 and 70 percent.

The Commissioners voted unanimously in favor of Staff's recommendation.

ITEM VIII
DRAFT RECOMMENDATION ON THE READMISSIONS REDUCTION INCENTIVE PROGRAM
(RRIP) POLICY FOR RY 2022

Ms. Andrea Zumbrum, Chief, Quality Analysis and Geoff Dougherty, Deputy Director, Population Based Methodologies, Analytics, and Modeling, presented Staff's draft recommendation on the Readmission Reduction Incentive Program Policy for RY 2022 (see "Draft Recommendation for the Readmission Reduction Incentive Program for Rate Year 2022" on the HRCRC website).

Since 2014, Maryland hospitals have been funded under a global budget system, which is a fixed annual revenue cap that is adjusted for inflation, quality performance, reductions in potentially avoidable utilization, market shifts, and demographic growth. Under the global budget system, hospitals are incentivized to transition services to the most appropriate setting and may keep savings that they achieve via improved health care delivery (e.g., reduced avoidable utilization, readmissions, and hospital-acquired infections). It is important that the Commission ensure that any incentives to constrain hospital expenditures do not result in declining quality of care. Thus, the HSCRC Quality programs reward quality improvements that reinforce the incentives of the global budget system, while penalizing poor performance and guarding against unintended consequences.

The Readmissions Reduction Incentive Program (RRIP) is one of several pay-for-performance initiatives that provide incentives for hospitals to improve patient care and value over time. The RRIP currently holds at risk up to 2 percent of hospital revenue in penalties and up to 1 percent at risk in rewards based on improvement and attainment in case-mix adjusted readmission rates.

With the commencement of the Total Cost of Care (TCOC) Model Agreement with CMS on January 1, 2019, the performance standards and targets in HSCRC's portfolio of quality and value-based payment programs are being reviewed and updated. In CY 2019, staff focused on the RRIP program and convened a subgroup with clinical and measurement experts who made recommendations that were then further evaluated by the Performance Measurement Workgroup (PMWG). The RRIP subgroup and PMWG considered updated approaches for reducing readmissions in Maryland to support the goals of the TCOC Model. Specifically, the workgroup evaluated Maryland hospital performance relative to various opportunity analyses, including external national benchmarks, and staff developed a within-hospital disparities metric for readmissions in consultation with the workgroup.

As part of the ongoing evolution of the All-Payer Model's pay-for-performance programs to further bring them into alignment under the Total Cost of Care Model, HSCRC convened a work group to evaluate the RRIP. The work group consisted of stakeholders, subject matter experts, and consumers, and met six times between February and September 2019. The work group focused on the following six topics:

1. Analysis of Case-mix Adjustment and trends in Eligible Discharges over time to address concern of limited room for additional improvement; - Case-mix adjustment acknowledges increased severity of illness over time - Standard Deviation analysis of Eligible Discharges suggests that further reduction in readmission rates is possible
2. National Benchmarking of similar geographies using Medicare and Commercial data; - Maryland Medicare and Commercial readmission rates and readmissions per capita are on par with the nation
3. Updates to the existing All-Cause Readmission Measure; - Remove Eligible Discharges that left against medical advice (~7,500 discharges) - Include Oncology Discharges with more nuanced exclusion logic - Analyze out-of-state ratios for other payers as data become available

4. Statewide Improvement and Attainment Targets under the TCOC Model; - 7.5 percent Improvement over 5 years (2018-2023) - Ongoing evaluation of the attainment threshold at 65th percentile
5. Social Determinants of Health and Readmission Rates; and - Methodology developed to assess within-hospital readmission disparities
6. Alternative Measures of Readmissions - Further analysis of per capita readmissions as broader trend; not germane to the RRIP policy because focus of evaluation is clinical performance and care management post-discharge - Observation trends under the All-Payer Model to better understand performance given variations in hospital observation use; future development will focus on incorporation of Excess Days in Acute Care (EDAC) measure in lieu of including observations in RRIP policy - Electronic Clinical Quality Measure (eCQM) may be considered in future to improve risk adjustment

Staff's draft recommendation for the RRIP RY 2022 is as follows:

1. Update 30-day, all-cause readmission measure with the following changes:
 - a) Exclude all discharges with discharge disposition "left against medical advice"
 - b) Include oncology discharges based on logic adapted from NQF 3188 - 30-day unplanned readmissions for cancer patients
2. Establish statewide 5-year Improvement target of -7.5 percent from 2018 base period, which would reduce Maryland Readmissions to approximately ~75th percentile of like geographies
3. Attainment Target - maintain attainment target methodology as currently exists, whereby hospitals at or better than the 65th percentile statewide receive scaled rewards for maintaining low readmission rates
4. For improvement and attainment, set the maximum reward hospitals can receive at 1 percent of inpatient revenue and the maximum penalty at 2 percent of inpatient revenue.
5. Establish additional payment incentive (up to 0.50 percent of inpatient revenue) for reductions in within-hospital readmission disparities
 - a) Provide reward of 0.25 percent of IP revenue for hospitals on pace for 25 percent reduction in disparity gap measure over 8 years (≥ 6.94 percent reduction in disparity gap measure 2018 to 2020)
 - b) Provide reward of 0.50 percent of IP revenue for hospitals on pace for 50 percent reduction in disparity gap measure over 8 years (≥ 15.91 percent reduction in disparity gap measure 2018 to 2020)
6. Explore development of an all-payer Excess Days in Acute Care measure in order to account for severity of readmission and emergency department and observation revisits.

Commissioner Elliot inquired about rewards related to the reduction in readmission of patients with high Patient Adversity Index (PAI).

Mr. Dougherty explained that if a hospital is on track to achieve a 50% or more reduction in disparity readmissions, it would receive a 0.5% increase in inpatient revenue. If a hospital is on track to achieve 25% - 49.9% reduction, it would receive a 0.25% increase in inpatient revenue.

Commissioner Kane asked what the role of Medicaid MCOs is in reducing the readmission disparity, and how to engage them to assist in reducing Medicaid readmissions.

Dr. Shuster explained that the policy is aligned with Medicaid's policies, and Staff will be certain to further assess Medicaid MCO policies moving forward.

Commissioner Colmers expressed concern about unintended consequences, such as indirectly encouraging hospitals to not admit these patients in order to improve their own score.

Mr. Dougherty explained that these consequences were considered in the modeling of the policy. The hope of this policy is to encourage high quality care of both high and low PAI index patients.

Commissioner Colmers added that 0.5% of an increase in inpatient revenue might not be much of an incentive. He also asked if 7.5% improvement was aligned with national benchmarks. Ms. Zumburum stated that 7.5% improvement is in the 75th percentile in peer geographies.

As this is a draft recommendation, no Commission action was necessary.

ITEM IX
STAFF REPORT ON MEDICARE ADVANTAGE HOSPITAL QUALITY IMPROVEMENT
PARTNERSHIP

Mr. Chris Peterson, Acting Executive Director, presented Staff's report on Medicare Advantage Hospital Quality Improvement Partnership (see "Staff Report on Medicare Advantage in Maryland" on the HSCRC website).

Commissioners have expressed concerns about the low levels of enrollment in Maryland by Medicare beneficiaries into Medicare Advantage Plans (MAPs). This is of potential concern because MAPs can help manage the care of their enrollees and are sometimes able to offer enrollees reduced cost sharing and enhanced benefits. While all Maryland counties have access to a MAP, less than half of Maryland Medicare beneficiaries have access to a \$0-premium MAP.

The Commission seeks to understand why the penetration rate of MAP is so low in Maryland and what actions the HSCRC should consider to spur greater enrollment. The potential actions may differ for what the HSCRC does in the short run versus the longer run. In response to the Commission's request to develop options for short-run interventions, staff have compiled various Commissioners' insights to produce potential options that appear in this report.

CMS makes adjustments to the Medicare Advantage capitation rate based on the quality of the Medicare Advantage plan. Each MAP receives from 1 to 5 stars. Higher stars (4 or higher) earn the MAP a positive adjustment to its benchmark and also higher rebates for its enrollees.

Staff's report concerning the Commission Policy on Medicare Advantage-Hospital Partnership Grant Program contained the following options for consideration:

1. Provide funding to hospitals partnering with a Medicare Advantage plan for no more than two years (CY2021 and CY2022);
2. Provide an amount of up to 5 percent of the county-level FFS costs included in the Medicare Advantage Ratebook multiplied by the number of enrollees in the plan;
3. Recapture grant funding from the hospital if the Commission-specified targets for the partner plan are not attained regarding:
 - Improvement in quality scores;
 - Improvement in enrollees use of Annual Wellness Visits; and
 - Maintenance of enrollment levels;

4. Ensure budget neutrality by reducing the RY 2021 and RY 2022 Update Factors by an amount necessary to offset the aggregate amount of the Medicare Advantage-Hospital Partnership Grants issued — but increasing future Update Factors by any amounts recaptured if targets are not attained.
5. Issue an RFP to competitively bid grant funds

Commissioner Bayless inquired what the top three things the HSCRC should be focused on in order to stabilize the Medicare Advantage market.

Commissioner Cohen suggested focusing on the star rating and quality metrics.

Commissioner Bayless asks what the reason is that people are not joining the plans to begin with, and if that is where the HSCRC should focus their time and effort.

Commissioners agreed that they will need to decide if the focus should be on increasing the percent of enrollment in Medicare Advantage, or creating more plans and options.

Commissioner Colmers expressed concern about a potential long term issue in maintaining an All-Payer Model and MAPs, considering the principal difference is in long-run improvement.

Commissioner Kane and Chairman Sabatini noted the need to expand MAP penetration in many Maryland counties. Mr. Sabatini said short-term action is needed to stabilize the market, and that the Centers for Medicare and Medicaid Services (CMS) supports this approach if it is consistent with Maryland's Model agreement. He also said a long-term, federal budget neutral solution is needed and that MAPs should allow any willing provider to participate.

Mr. McCone of MHA identified the need to understand the financial impact of HSCRC interaction with MAP on the Model. This includes impact of plans exiting or entering the market, and the impact of beneficiary migration between fee-for-service and Medicare. He expressed concern about any proposal that would immediately offset program funding against the annual payment update.

Mr. Peterson said the overall impact is speculative. Commissioner Kane said MAPs could improve Model performance if they focus on high-cost beneficiaries—particularly dually eligible Medicare and Medicaid beneficiaries. Increased focus on high-cost beneficiaries should improve fee-for-service Model performance if high-cost beneficiaries migrate to Medicare MAPS

Commissioner Kane also noted that the \$50-million cap limits statewide exposure, however, if participation is lower than anticipated, actual funding may be reduced.

Commissioner Bayless asked the Commission and Commission staff to clarify if funding will come from the RY2021 update (assuming savings generated from the program is not sufficient).

Jerry Schmith said any funding amount would be considered in Medicare total cost of care growth, implying that funding will not be automatically offset against the payment update. Several Commissioners agreed that the financial impact of the proposal should be analyzed

Commissioner Kane offered an amendment to be substituted for Staff's report as follows:

1. Provide funding to hospitals partnering with a MAP for no more than two years (FY2020 and FY2021) to create a competitive grant process.
2. There will be up to \$50M each year available for the Grant.
3. Health Plans must have a minimum of 3.5 stars to be eligible to apply to ensure quality.
4. HSCRC will evaluate applications based on the following criteria:
 - Applicants that serve high cost or high risk beneficiaries
 - Applicants that support access and competition in jurisdictions
 - Applicants that are seeking funds to increase benefits or support enhanced enrollment
 - Applicants that demonstrate collaboration between plans, hospitals, and other downstream providers to support TCOC and care transformation aims
5. Funding for the Grant shall come from anticipated savings in FY20 and anticipated savings and/or the update factor in FY21 depending on Contract performance.

The Commissioners voted unanimously to approve Commissioner Kane amended recommendation.

Commissioner Sabatini added that solving this problem is of the highest priority of the staff moving forward.

ITEM X
UPDATE ON POTENTIALLY AVOIDABLE UTILIZATION (PAU) MEASUREMENTS

Ms. Laura Mandel, Chief, Quality and Population Health, presented Staff's Draft Recommendation concerning Potentially Avoidable Utilization Measurements (see Potentially Avoidable Utilization Savings Policy for Rate Year 2021 and 2022).

The HSCRC operates a Potentially Avoidable Utilization (PAU) Savings Policy, which maintains hospitals' focus on improving patient care and health through reducing potentially avoidable utilization and its associated costs. The PAU Savings Policy prospectively reduces hospital global budget revenues in anticipation of volume reductions due to care transformation efforts. Currently, two measures of avoidable utilization are defined and utilized in the PAU Savings Policy: 1) 30-day readmissions; and 2) Prevention Quality Indicators (PQIs) for adults. Staff and stakeholders have explored additional and alternative measures of avoidable utilization over the past several months, and present the following report detailing efforts to date, challenges, and a plan moving forward. Additional discussion of the proposed statewide PAU reduction for RY 2021 will be presented in the RY 2021 Update Factor Recommendation.

This PAU Savings Measurement Report provides an update to the "RY 2019 PAU Savings Supplemental Report on Efforts to Modernize PAU Measurement and Adjustment in Future Years." Staff and stakeholders met in the summer and fall of 2018 to discuss expanding and refining PAU measures in a PAU specific subgroup and then with the Performance Measurement Work Group (PMWG) in early 2019. Staff worked to incorporate guidance from the PMWG into reporting and analytics throughout 2019. Measures discussed in this report include evaluations of data availability, measure feasibility, and stakeholder endorsement of potential measures.

The HSCRC proposes the following changes to impact calculation of PAU for Calendar Years 2019 and 2020:

- Per capita PQI approach: Transition existing PQI measures to per capita calculation using hospital attribution algorithm. Include risk adjustment for PQIs based on current AHRQ risk adjustment methodology.

- Pediatric Quality Indicators: Add Pediatric Quality Indicators (PDIs) into PAU Savings Policy with a per capita attribution approach.
- Readmissions approach: Refine readmission measure as estimated revenue associated with the “sending” hospital.

As this is a draft recommendation, no Commission action was necessary.

ITEM XI **POLICY UPDATE AND DISCUSSION**

Mr. Peterson noted that a workgroup will be meeting on Tuesday, February 25, 2020 to discuss repricing minor surgeries and deregulating existing space. Chestertown MHCC funded a report on an Aging Center of Excellence. Mr. Peterson mentioned that the Commission will be speaking with UMMS and engage with the community to move this along. Emergency Department strategies to reduce wait times in the State are still being explored. Staff will be meeting to discuss Clinic Rate facility fees and Clinic RVUs to reflect underlying costs.

Model Monitoring

Mr. Peterson reported that Maryland continues to be favorable when compared to the nation in Medicare Hospital Spending per Capita and Total Cost of Care Spending per Capita through October. Year over year run rate improvement in Maryland is estimated to be \$53 million through October, which updates the total cost of care run rate to \$326 million. Maryland also continues to have favorable performance in our year over year guardrail test. Maryland had an unfavorable month in September that is contributing to the slight degradation in savings versus the last time these figures were reported.

Mr. Peterson noted that Maryland hospitals reported financial data, the all-payer per capita revenue growth for CY 2019 through December is 2.99% and the Medicare Fee for Service per capita revenue has declined by 0.13% for the full calendar year 2019. These numbers will revise slightly with the reporting of January data.

Maryland Primary Care Program

Mr. Peterson noted that Commissioners discussed concerns over the Maryland Primary Care Program (MDPCP) outcomes relative to the size of the program funding. MDPCP payments count against the Total Cost of Care Medicare savings target and were about \$70 million in 2019 and projected to almost double to \$130 million in 2020.

Commissioners approved the following resolution on the state of the MDPCP and its effect on the model.

The HSCRC resolves that:

1. Transformation of primary care is critical to the success of the Maryland Model;
2. The entire State is accountable to meet the Medicare savings targets;
3. The Program Management Office (PMO) has been extremely effective at enrolling primary-care practices into the Maryland Primary Care Program, generating high expectations of primary care

practitioners (PCPs) in being partners in improving quality and controlling costs;

4. HSCRC Commissioners are concerned about the pressure that rising MDPCP costs are adding without clear line of sight to when this investment will produce savings; and
5. The MDPCP program should be accountable for doing its part to reduce the total cost of care (TCOC). This should include:
 - The methodology used to determine the effectiveness of the PCP in achieving program aims
 - Clear criteria for determining how a PCP is incentivized to achieve TCOC and quality aims
6. The HSCRC believes that a strong partnership with CMS and other stakeholders is important to the success of its model contract. Any deterioration in that relationship could not only affect the implementation of the MDPCP program but also have spillover effects onto the TCOC program as a whole. HSCRC strongly encourages more collaboration and partnership between the PMO and CMS so that this important program succeeds.

The Commissioners voted unanimously in favor of the resolution.

Legislative Update

Ms. Tequila Terry, Deputy Director Payment Reform and Provider Alignment, updated the Commission on bills before the Maryland General Assembly (see “Legislative Update” on the HSCRC website). Ms. Terry noted Commission staff is educating and offering technical assistance to legislators and their staff.

Ms. Terry noted that Staff has actively engaged with key committees and leadership to educate and provide “technical assistance” as bills were developed on:

- Total Cost of Care Overview
- Financial Assistance and Debt Collection Procedures
- Facility Fees
- Hospital Workers Retraining Fund
- Community Benefits
- Hospital Transformation Opportunities

Staff is tracking and will comment on the following bills:

- House Bill 1169/Senate Bill 774 – Community Benefits
- HB838/SB632 - Facility Fees
- SB879 - Medical Liability Insurance
- SB187 - Medical Liability Insurance
- HB684 - Medical Liability Insurance
- SB873/HB1081 – Financial Assistance
- HB1121 – Behavioral Health Bed Registry
- HB838 – Unregulated Space
- SB501/HB998 – Loan Assistance Repayment Program

Commissioners identified rising medical liability costs as a key concern.

ITEM XI
LEGAL REPORT

Regulations

Final Action

Uniform Accounting and Reporting System for Hospitals and Related Institutions COMAR 10.37.01.02

The purpose of this action is to update the Commission's manual entitled "Accounting and Budget Manual for Fiscal and Operating Management" (August 1987), which has been incorporated by reference. This action was proposed for adoption in 45:11 MD.R.590 (November 22, 2020).

The Commission voted unanimously to approve final adoption of the proposed amendment to COMAR 10.37.01.02.

ITEM XII
HEARING AND MEETING SCHEDULE

March 11, 2020 Times to be determined, 4160 Patterson Avenue
HSCRC Conference Room

April 8, 2020 Times to be determined, 4160 Patterson Avenue
HSCRC Conference Room

There being no further business, the meeting was adjourned at 4:13 p.m.

Cases Closed

The closed cases from last month are listed in the agenda

H.S.C.R.C's CURRENT LEGAL DOCKET STATUS (OPEN)

AS OF MARCH 4, 2020

A: PENDING LEGAL ACTION : NONE
 B: AWAITING FURTHER COMMISSION ACTION: NONE
 C: CURRENT CASES:

Docket Number	Hospital Name	Date Docketed	Decision Required by:	Rate Order Must be Issued by:	Purpose	Analyst's Initials	File Status
2503R	Johns Hopkins Bayview Medical Center	10/15/2019	3/13/2020	3/13/2020	FULL RATE	GS	OPEN
2516R	J. Kent McNew Family Medical Center	1/6/2020	3/9/2020	6/4/2020	FULL RATE	GS	OPEN
2517A	University of Maryland Medical Center	2/20/2020	N/A	N/A	ARM	DNP	OPEN
2518R	St. Agnes Hospital	2/14/2020	8/13/2020	8/13/2020	FULL RATE	GS	OPEN

PROCEEDINGS REQUIRING COMMISSION ACTION - NOT ON OPEN DOCKET

NONE

IN RE: THE PERMANENT RATE * BEFORE THE HEALTH SERVICES
APPLICATION OF J. KENT McNEW * COST REVIEW COMMISSION
FAMILY MEDICAL CENTER * DOCKET: 2020
* FOLIO: 2070
ANNAPOLIS, MARYLAND * PROCEEDING: 2516R

* * * * *

STAFF RECOMMENDATION

March 11, 2020

I. INTRODUCTION

On January 6, 2020, Anne Arundel Medical Center (“AAMC”) submitted a full rate application to the Health Services Cost Review Commission (“HSCRC,” or “the Commission”) to establish permanent rate structure for J. Kent McNew Family Medical Center (“McNew” or “the hospital”) to be effective March 1, 2020. McNew is a new 16-bed mental health hospital for adults located in Annapolis Maryland.

II. BACKGROUND

Anne Arundel Medical Center (AAMC) is establishing a 16-bed mental health hospital for adults. The mental health hospital, the J. Kent McNew Family Medical Center, is a new building that is under construction on a site approximately two miles from its acute care hospital in Annapolis and adjacent to the 40-bed intermediate care facility known as Pathways, for substance use and treatment disorders. The opening is targeted for March 2020. The mental health hospital will also house a psychiatric partial hospitalization program (for both adults and adolescents) and physician offices to support mental health services. The hallmark of AAMC’s mental health hospital will be providing both a *comprehensive* and *community-based* mental health treatment facility. Specifically, the facility will: provide improved access to services; promote high quality and safe care; strengthen community partnerships; implement a patient and family-centered recovery model; integrate information systems to improve care coordination; and promote an environment focused on support for patients, families, and the community. This initial phase will be a 66,725 square-foot, four-story building that also includes consultation and therapy rooms, as well as a secure peaceful courtyard for patients and families. Programs and services will include:

- Approximately 30 specially trained and experienced mental health and substance abuse clinicians and staff.
- A comprehensive therapeutic environment comprising nursing care; psychiatric evaluation and medication management; group, individual, and family therapy; activity therapy; treatment planning; and care coordination.
- Inpatient hospitalization for adult patients who need 24-hour care and supervision.
- Expanded capacity for existing mental health outpatient and partial hospitalization services for children, adolescents, and adults.
- New outpatient program development for patients dependent on opioids for chronic pain.

As outlined in the Certificate of Need (CON) dated March 29, 2016, AAMC identified the need for a 16-bed mental health hospital based on hospital utilization patterns and other indicators that identify community need. In FY 2015, a total of 1,173 patients were transferred from AAMC ED to other hospitals typically over 40 miles from AAMC. It was determined that 946 of these patients could be treated at the new mental health hospital which equates to 14 average daily census. AAMC further developed a need analysis based on a population-based use rate model which incorporated the following:

- Patient age: The mental health hospital will serve patients 18 and older
- Patient origin: 85 percent of patients will be drawn from Anne Arundel and Queen Anne's counties
- Use Rate Decline: The volume projections included a use rate decline of 17 percent to account for shift from acute inpatient care to partial hospitalization

Based on these factors it was projected that the new mental health hospital would operate at 15 ADC once inpatient volumes reach maturity in FY2023. In addition, McNew will be an

additional non-IMD resource for the care of Medicaid patients in Maryland who require an inpatient psychiatric admission.

III. THE HOSPITAL REQUEST AND JUSTIFICATION

McNew is expected to begin operations on March 1, 2020 and is therefore requesting a reasonable set of rates to allow it to be financially viable by 2023 consistent with its CON application. McNew has also requested to eliminate the productivity adjustment to inflation for 4 full fiscal years, FY2021 through FY2024.

In the CON application for McNew, revenue was based on the FY2015 average utilization of Anne Arundel Medical Center (“AAMC”) psychiatric adult patients transferred from AAMC to Maryland inpatient acute psychiatric providers. Psychiatric cases were defined as APR-DRGs 750 – 760 for patients aged 18 or greater. These are the patients that are expected to be treated at the new facility. AAMC’s existing approved unit rates were applied to the average utilization for these patients. For the acute psychiatric room rate, since AAMC does not have an approved rate, the statewide median was used as a basis to set the rate.

Using actual FY 2020 approved rates for AAMC and FY 2020 Statewide rates, AAMC developed the unit rates in Table 1. Also included in Table 1 is a build-up of the projected average case charge and per diem charge.

Table 1

Proposed Rates, Per Case Charge and Per Diem Charge

Rate Center	Unit of Measure	AAMC FY20 Approved Rate²	FY20 Statewide Median³	Projected Unit Rates	Average IP Units per Case¹	Projected IP Charges	
PSY	Psychiatric Acute	Patient Days	0.0000	1,345.0852	1,345.0852	6.14	8,256
CL	Clinic Service	MD RVUs	47.9018	45.4414	47.9018	0.01	1
PDC	Psychiatric Day & Night Care Services	Visits	0.0000	500.7248	500.7248	0.00	0
LAB	Laboratory Services	MD RVUs	1.4685	2.3732	1.4685	24.08	35
EKG	Electrocardiography	MD RVUs	3.0355	3.9447	3.0355	0.58	2
EEG	Electroencephalography	1974 Calif. RVUs	5.5979	9.9417	5.5979	0.48	3
RAD	Radiology – Diagnostic	HSCRC RVUs	18.8229	20.5740	18.8229	0.14	3
RES	Respiratory Therapy	MD RVUs	1.7668	2.0842	1.7668	2.70	5
OTH	Occupational Therapy	MD RVUs	8.8272	10.1774	8.8272	3.38	30
ADM	Admission Services	Admissions	193.2955	244.1519	193.2955	1.00	193
CDS	Drugs	Invoice Cost	1.4246	2.3555	1.4246	80.41	115
Average Charge per Case						\$8,642	
Average Charge per Day						\$1,408	

Note 1: Average units per case consistent with CON application.
Note 2: From AAMC rate order issued by HSCRC on July 24, 2019
Note 3: Per HSCRC FY2020 Rate Report.

It is the position of McNew that these rates are reasonable based on several factors:

1. Charges are reasonable compared to Maryland inpatient acute care psychiatric rates including Psychiatric Specialty Hospitals
2. McNew’s per diem cost is reasonable compared to Maryland inpatient specialty psychiatric providers and National costs for freestanding 16 bed psychiatric hospitals
3. The requested rates will result in System savings

IV. HOSPITAL RATE HISTORY

As stated above, McNew is expected to commence operations on March 1, 2020 and, therefore, there is no rate history.

V. PROJECTED HOSPITAL FINANCIAL SITUATION

The requested rates will allow McNew to generate a reasonable margin to provide Behavioral Health services in Anne Arundel County. McNew is projecting a 1.3% operating by FY2024 as outlined below.

	FY2020	FY2021	FY2022	FY2023	FY2024
Annual Inpatient Psych Cases	257	879	886	892	892
Average Daily Census	13	15	15	15	15
PHP Visits	1,547	4,867	5,105	5,357	5,623
Revenue					
Total Gross Revenue	\$2,995,505	\$10,233,627	\$10,625,222	\$11,026,655	\$11,391,360
Deductions from Revenue	(359,461)	(1,228,035)	(1,275,027)	(1,323,199)	(1,366,963)
Net Patient Revenue	2,636,044	9,005,592	9,350,195	9,703,457	10,024,397
Collected Physician Fees	293,648	367,732	374,284	380,536	384,631
Net Revenue	2,929,692	9,373,323	9,724,479	10,083,992	10,409,028
Operating Expenses	3,642,672	8,414,071	8,582,787	8,655,365	8,829,552
Professional Fees	695,736	1,448,652	1,448,652	1,448,652	1,448,652
Total Expenses	4,338,408	9,862,723	10,031,439	10,104,017	10,278,204
Net Income	(\$1,408,716)	(\$489,399)	(\$306,960)	(\$20,025)	\$130,824
% Total Margin	-48.1%	-5.2%	-3.2%	-0.2%	1.3%

VI. STAFF ANALYSIS

This staff recommendation is the culmination of significant analysis and consideration of the AAMC CON application, the process that resulted in CON approval, and analysis of the assumptions included in the CON compared to current market conditions. In addition, significant consideration was given to the implications of funding McNew relative to the Total Cost of Care. Additionally Staff evaluated the rate structure and approved rates for both psychiatric hospitals in the State: Brooklane Hospital and Sheppard Pratt Hospital. Staff determined that Sheppard Pratt's patient mix would provide the most direct comparison to what is projected and approved in the CON. It is worth noting that 75% of the inpatient volume

projected to be treated at McNew, is presently treated at Sheppard Pratt. Staff compared the requested rates of McNew to the approved FY2020 rates at Sheppard Pratt Hospital and also compared the requested rates to the statewide median. The CON approved volume projections were applied and held constant throughout the analysis. The staff recommendation herein is a result of this extensive process.

Analysis of Rates

A. Requested Rates

The requested outpatient revenue and rates for McNew were based on AAMC's approved FY2020 rates. The requested inpatient revenue and rates were based on statewide median rates for FY 2020. The inpatient and outpatient volume was consistent with the approved CON.

Staff compared the requested outpatient revenue and rates to those approved at Sheppard Pratt Hospital. Staff also compared the requested rates to the statewide median rates. The total requested outpatient revenue at projected volume was 1% lower than the approved rates Sheppard Pratt Hospital and 1% lower than the statewide median. The requested outpatient rates will result in 1% outpatient system savings.

Staff compared the requested inpatient revenue and rates to those approved at Sheppard Pratt Hospital and the statewide median rates. The total requested inpatient rates were 10% higher than the approved rates at Sheppard Pratt Hospital and 1% lower than the statewide median rates. The requested inpatient rates do not yield system savings when compared to Sheppard Pratt.

Staff compared the combined requested rates to those approved at Sheppard Pratt Hospital and the statewide median. The combined revenue requested was 8.5% higher

than the approved rates at Sheppard Pratt Hospital and 1% below the statewide median. Approximately 75% of McNew's projected patients are presently being cared for at Sheppard Pratt. The combined requested revenue and rates do not yield system savings when compared to the rates at Sheppard Pratt, however they are 1% below the statewide median of other acute care hospitals.

B. Recommended Rates and Summary

Staff conducted further analysis to determine a rate structure that would provide reasonable revenue to cover cost and yield total system savings when compared to current treatment options at other acute care hospitals. Staff used the following factors to develop a set of rates for McNew: 1.) CON approved volume, 2.) Approved rates at Sheppard Pratt Hospital for comparison, 3.) Statewide median rates for comparison, 4.) Expected payer mix at McNew.

The expected payer mix for McNew includes a higher share of Medicare patients which yields a markup approximately 5.1% higher than Sheppard Pratt. This is due to the fact that Medicare does not reimburse private psychiatric hospitals in Maryland based on Commission approved rates. Instead, private psychiatric hospitals are reimbursed based on Medicare's own reimbursement schedule. These payments result in a difference of approximately 30% less than Commission approved rates at Sheppard Pratt. Staff accounted for this markup difference and applied the adjusted rates charged at Sheppard Pratt to the CON projected volumes. The extension of Sheppard Pratt's payer mix adjusted rates yielded a result that is equivalent to what is charged at Sheppard Pratt and 2% below the statewide median acute care rates. The application of Sheppard Pratt's approved rates and expected payer mix produced a result 3.2% below the rates requested by McNew in the full rate application. Extending Sheppard Pratt's

inpatient rate structure to the rates at McNew will produce system wide savings by forgoing transfer costs for admitted patients while supporting a needed service in the primary service area of McNew.

VII. Staff Recommendation

The staff recommends the Commission approve the recommended revenue and unit rates set forth in **Exhibit 1**, effective March 1st, 2020 for the J. Kent McNew Family Medical Center. The recommended revenue and unit rates represent a total rate structure 3.2% below what was requested by McNew in the full rate application. The combined recommended rates are 2% below the statewide acute care median. The recommended rates for McNew yield a total system savings, while eliminating the need for patients to be transferred approximately 40 miles. As the hospital reaches maturity, the staff recommends that the commission provide full inflation for McNew for Fiscal Year 2021 and Fiscal Year 2022, without an offset for efficiency. The staff's recommendation provides McNew with reasonable revenue to cover costs with the projections cited in the approved CON and full rate application.

Exhibit 1: Recommended Unit Rates

Health Services Cost Review Commission New Approved Revenue and Unit Rates J. Kent McNew Family Medical Center Effective March 1, 2020					
<u>Revenue Center</u>		<u>Total Vol</u>	<u>Service Unit</u>	<u>Rates</u>	<u>Revenue</u>
Psych Adult	PAD	1,577	Patient Days	\$1,301.75	\$2,052,867
Admissions	ADM	257	Admissions	\$499.31	\$128,323
Clinic Services	CL	3	RVUs	\$46.36	\$139
Psychiatric Day/Night	PDC	1,547	Visits	\$484.59	\$749,667
Laboratory	LAB	6,189	MD RVUs	\$1.42	\$8,796
Electrocardiography	EKG	149	MD RVUs	\$2.94	\$438
Electroencephalography	EEG	123	74 CAL RVUs	\$5.42	\$666
Radiology-Diagnostic	RAD	35	HSCRC RVUs	\$18.22	\$638
Respiratory Therapy	RES	693	MD RVUs	\$1.71	\$1,185
Occupational Therapy	OTH	870	RVUs	\$8.54	\$7,432
	Drugs				\$28,491
			Total		\$2,978,642

RY 2022 Final RRIP Policy

HSCRC

Health Services Cost
Review Commission

Main Components of Final RY 2022 RRIP Policy

- ▶ **Updates to the existing All-Cause Readmission Measure;**
 - ▶ Remove Eligible Discharges that left against medical advice (~7,500 discharges)
 - ▶ Include Oncology Discharges with more nuanced exclusion logic
 - ▶ Analyze out-of-state ratios for other payers as data become available
- ▶ **Statewide Improvement and Attainment Targets under the TCOC Model;**
 - ▶ 7.5 percent Improvement over 5 years (2018-2023)
 - ▶ Ongoing evaluation of the attainment threshold at 65th percentile
- ▶ **Social Determinants of Health and Readmission Rates;**
 - ▶ Methodology developed to assess within-hospital readmission disparities

Stakeholder Feedback and Staff Response

▶ Improvement and Attainment Target

- ▶ 7.5 percent improvement and 65th percentile of attainment seem reasonable based on current analysis – continue to review and assess any negative consequence for individual hospitals, and compared to external benchmarks
- ▶ Staff Response:
 - ▶ Staff will continue reviewing adequacy of targets throughout the coming five years
 - ▶ Continue to review performance compared to external benchmarks

▶ Modifications to the Readmission Measure

- ▶ General support to remove AMA discharges and include oncology discharges, with assessment over time
- ▶ Staff Response:
 - ▶ Staff will review oncology and AMA discharges over time
 - ▶ Staff proposes audits for any substantial increase in use of AMA discharge disposition that might occur

▶ Excess Days in Acute Care

- ▶ Support for the EDAC measure is mixed, and more analysis is needed
- ▶ Staff response:
 - ▶ Proceed to evaluate feasibility of all-payer, all-condition EDAC measure in more detail
 - ▶ Staff believes that EDAC measure captures a fuller picture of post-discharge outcomes for patients than readmission measure alone

Disparities policy: Key components

- ▶ **Measure social exposures**

- ▶ Patient Adversity Index (PAI)

- ▶ **Measure within-hospital difference in readmission rate across levels of PAI**

- ▶ **Reward hospitals that narrow difference over time**

- ▶ 0.25% of IP revenue to hospitals with $\geq 6.94\%$ reduction 2018-2020
- ▶ 0.50% of IP revenue to hospitals with $\geq 15.91\%$ reduction 2018-2020
- ▶ To be eligible for reward, hospital must have improvement in overall case-mix adjusted readmission rate

Stakeholder Feedback and Staff Response

- ▶ CF and JHHS support the disparity measure
- ▶ JHHS suggested recognizing previous progress in reducing disparities, exploring ways for hospitals to share best practices
- ▶ MHA favors monitoring for at least a year
 - ▶ More time is necessary to determine what degree of change would represent meaningful improvement in disparities.
- ▶ Staff Response
 - ▶ Monitoring is unlikely to provide information that would improve the policy, and thus would only delay progress on disparities
 - ▶ Because the program is unique in the nation, there is no guidance on how to best incentivize progress. Staff structured the measure to gain data in this area while minimizing potential for unintended consequences.
 - ▶ Staff plans to carefully track progress on the disparity measure and the effect of rewards, as well as evidence of unintended consequences, and to recommend changes to the measurement methodology and incentive structure as required.
 - ▶ Staff encourages the sharing of best practices on disparity reductions across the state. The HSCRC staff has been in discussions with the Office of Minority Health and Health Disparities, and believes that they can play an important role because of their expertise in this area.

Staff Final Recommendations for RY 2022 RRIP Policy

- ▶ Update 30-day, all-cause **readmission measure** with the following changes:
 - ▶ **Exclude** all discharges with discharge disposition “**left against medical advice**”
 - ▶ **Include oncology discharges** based on logic adapted from NQF 3188-30-day unplanned readm. for cancer patients
- ▶ Establish **statewide 5-year Improvement target of -7.5 percent from 2018 base period**, which would reduce Maryland Readmissions to approximately ~75th percentile of like geographies
- ▶ **Attainment Target - maintain** attainment target methodology as currently exists, whereby hospitals **at or better than the 65th percentile** statewide receive scaled rewards for maintaining low readmission rates
- ▶ For improvement and attainment, set the maximum reward hospitals can receive at 1 percent of inpatient revenue and the maximum penalty at 2 percent of inpatient revenue
- ▶ Establish additional payment incentive (up to 0.50 percent of inpatient revenue) for **reductions in within-hospital readmission disparities**
 - ▶ Provide reward of 0.25 percent of IP revenue for hospitals (≥ 6.94 percent red. in disparity gap measure 2018-2020)
 - ▶ Provide reward of 0.50 percent of IP revenue for hospitals (≥ 15.91 percent red. in disparity gap measure 2018-2020)
 - ▶ Limit disparity reduction rewards to hospitals that have demonstrated improvement in the case-mix adjusted, 30-day, all-cause readmission measure for the general population
- ▶ Explore **development of an all-payer Excess Days in Acute Care measure** in order to account for severity of readmission and emergency department and observation revisits

**Final Recommendation for the
Readmission Reduction Incentive Program
for Rate Year 2022**

March 11, 2020

Health Services Cost Review Commission

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This document contains the final staff recommendations for the Readmission reduction Incentive Program for RY 2022.

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List of Abbreviations

ADI	Area Deprivation Index
AMA	Against Medical Advice
APR-DRG	All-patient refined diagnosis-related group
CMS	Centers for Medicare & Medicaid Services
CMMI	Center for Medicare and Medicaid Innovation
CRISP	Chesapeake Regional Information System for Our Patients
CY	Calendar year
eCQM	Electronic Clinical Quality Measure
EDAC	Excess Days in Acute Care
FFS	Fee-for-service
HCC	Hierarchical Condition Category
HRRP	Hospital Readmissions Reduction Program
HSCRC	Health Services Cost Review Commission
HWR	Hospital-Wide Readmission Measure
MCDB	Medical Claims Database
MPR	Mathematica Policy Research
MSA	Metropolitan Statistical Area
NQF	National Quality Forum
PAI	Patient Adversity Index
PMWG	Performance Measurement Workgroup
PQI	Prevention Quality Indicators
RRIP	Readmissions Reduction Incentive Program
RY	Rate Year
SIHIS	Statewide Integrated Healthcare Improvement Strategy
SOI	Severity of illness
TCOC	Total Cost of Care
YTD	Year-to-date

Key Methodology Concepts and Definitions

Diagnosis-Related Group (DRG): A system to classify hospital cases into categories that are similar in clinical characteristics and in expected resource use. DRGs are based on a patient's primary diagnosis and the presence of other conditions.

All Patients Refined Diagnosis Related Groups (APR-DRG): Specific type of DRG assigned using 3M software that groups all diagnosis and procedure codes into one of 328 All-Patient Refined-Diagnosis Related Groups.

Severity of Illness (SOI): 4-level classification of minor, moderate, major, and extreme that can be used with APR-DRGs to assess the acuity of a discharge.

APR-DRG SOI: Combination of diagnosis-related groups with severity of illness levels, such that each admission can be classified into an APR-DRG SOI "cell" along with other admissions that have the same diagnosis-related group and severity of illness level.

Observed/Expected Ratio: Readmission rates are calculated by dividing the observed number of readmissions by the expected number of readmissions. Expected readmissions are determined through case-mix adjustment.

Case-Mix Adjustment: Statewide rate for readmissions (i.e., normative value or "norm") is calculated for each diagnosis and severity level. These statewide norms are applied to each hospital's case-mix to determine the expected number of readmissions, a process known as indirect standardization.

Prevention Quality Indicator (PQI): a set of measures that can be used with hospital inpatient discharge data to identify quality of care for "ambulatory care sensitive conditions." These are conditions for which good outpatient care can potentially prevent the need for hospitalization or for which early intervention can prevent complications or more severe disease.

Area Deprivation Index (ADI): A measure of neighborhood deprivation that is based on the American Community Survey and includes factors for the theoretical domains of income, education, employment, and housing quality.

Patient Adversity Index (PAI): HSCRC developed composite measure of social risk incorporating information on patient race, Medicaid status, and the Area Deprivation Index.

Excess Days in Acute Care (EDAC): Capture excess days that a hospital's patients spent in acute care within 30 days after discharge. The measures incorporate the full range of post-discharge use of care (emergency department visits, observation stays, and unplanned readmissions).

Recommendations

These are the final recommendations for the Maryland Rate Year (RY) 2022 Readmission Reduction Incentives Program (RRIP):

1. Update 30-day, all-cause readmission measure with the following changes:
 - a. Exclude all discharges with discharge disposition “left against medical advice”
 - b. Include oncology discharges based on logic adapted from NQF 3188 - 30-day unplanned readmissions for cancer patients
2. Establish statewide 5-year Improvement target of -7.5 percent from 2018 base period, which would reduce Maryland Readmissions to approximately ~75th percentile of like geographies
3. Attainment Target - maintain attainment target methodology as currently exists, whereby hospitals at or better than the 65th percentile statewide receive scaled rewards for maintaining low readmission rates
4. For improvement and attainment, set the maximum reward hospitals can receive at 1 percent of inpatient revenue and the maximum penalty at 2 percent of inpatient revenue
5. Establish additional payment incentive (up to 0.50 percent of inpatient revenue) for reductions in within-hospital readmission disparities:
 - a. Provide reward of 0.25 percent of IP revenue for hospitals on pace for 25 percent reduction in disparity gap measure over 8 years (≥ 6.94 percent reduction in disparity gap measure 2018 to 2020)
 - b. Provide reward of 0.50 percent of IP revenue for hospitals on pace for 50 percent reduction in disparity gap measure over 8 years (≥ 15.91 percent reduction in disparity gap measure 2018 to 2020)
 - c. Limit disparity reduction rewards to hospitals that have demonstrated improvement in the casemix adjusted, 30-day, all-cause readmission measure for the general population
6. Explore development of an all-payer Excess Days in Acute Care measure in order to account for severity of readmission and emergency department and observation revisits

Introduction

Since 2014, Maryland hospitals have been funded under a global budget system, which is a fixed annual revenue cap that is adjusted for inflation, quality performance, reductions in potentially avoidable utilization, market shifts, and demographic growth. Under the global budget system, hospitals are incentivized to transition services to the most appropriate setting and may keep savings that they achieve via improved health care delivery (e.g., reduced avoidable utilization, readmissions, hospital-acquired infections). It is important that the Commission ensure that any incentives to constrain hospital expenditures do not result in declining quality of care. Thus, the Maryland Health Services Cost Review Commission's (HSCRC's or Commission's) Quality programs reward quality improvements that reinforce the incentives of the global budget system, while penalizing poor performance and guarding against unintended consequences.

The Readmissions Reduction Incentive Program (RRIP) is one of several pay-for-performance initiatives that provide incentives for hospitals to improve patient care and value over time. The RRIP currently holds up to 2 percent of hospital revenue at-risk in penalties and up to 1 percent at risk in rewards based on improvement and attainment in case-mix adjusted readmission rates.

With the commencement of the Total Cost of Care (TCOC) Model Agreement with CMS on January 1, 2019, the performance standards and targets in HSCRC's portfolio of quality and value-based payment programs are being reviewed and updated. In CY 2019, staff focused on the RRIP program and convened a subgroup with clinical and measurement experts who made recommendations that were then further evaluated by the Performance Measurement Workgroup (PMWG). The RRIP subgroup and PMWG considered updated approaches for reducing readmissions in Maryland to support the goals of the TCOC Model. Specifically, the workgroup evaluated Maryland hospital performance relative to various opportunity analyses, including external national benchmarks, and staff developed a within-hospital disparities metric for readmissions in consultation with the workgroup. The details of the subgroup work and their recommendations are outlined in the sections below.

Background

Brief History of RRIP program

Maryland made incremental progress each year throughout the All-Payer Model (2014-2018), ultimately achieving the Model goal for the Maryland Medicare FFS readmission rate to be at or below the unadjusted national Medicare readmission rate by the end of Calendar Year (CY) 2018. Maryland had historically performed poorly compared to the nation on readmissions; it ranked 50th among all states in a study examining Medicare data from 2003-2004.¹ In order to

¹ Jencks, S. F. et al., "Hospitalizations among Patients in the Medicare Fee-for-Service Program," *New England Journal of Medicine* Vol. 360, No. 14: 1418-1428, 2009.

meet the All-Payer Model requirements, the Commission approved the RRIP program in April 2014 to further bolster the incentives to reduce unnecessary readmissions.

As recommended by the Performance Measurement Work Group, the RRIP is more comprehensive than its federal counterpart, the Medicare Hospital Readmission Reduction Program (HRRP), as it is an all-cause measure that includes all patients and all payers.²

In Maryland, the RRIP methodology evaluates all-payer, all-cause inpatient readmissions using the CRISP unique patient identifier to track patients across Maryland hospitals. The readmission measure excludes certain types of discharges (such as planned readmissions) from consideration, due to data issues and clinical concerns. Readmission rates are adjusted for case-mix using all-patient refined diagnosis-related group (APR-DRG) severity of illness (SOI), and the policy determines a hospital's score and revenue adjustment by the better of improvement or attainment, with scaled rewards of up to 1 percent of inpatient revenue and scaled penalties of up to 2 percent.³

RRIP Subgroup

As part of the ongoing evolution of the All-Payer Model's pay-for-performance programs to further bring them into alignment under the Total Cost of Care Model, HSCRC convened a work group to evaluate the Readmission Reduction Incentive Program (RRIP). The work group consisted of stakeholders, subject matter experts, and consumers, and met six times between February and September 2019. The work group focused on the following six topics, with the general conclusions summarized below:

1. Analysis of Case-mix Adjustment and trends in Eligible Discharges over time to address concern of limited room for additional improvement;
 - Case-mix adjustment acknowledges increased severity of illness over time
 - Standard Deviation analysis of Eligible Discharges suggests that further reduction in readmission rates is possible
2. National Benchmarking of similar geographies using Medicare and Commercial data;
 - Maryland Medicare and Commercial readmission rates and readmissions per capita are on par with the nation
3. Updates to the existing All-Cause Readmission Measure;
 - Remove Eligible Discharges that left against medical advice (~7,500 discharges)
 - Include Oncology Discharges with more nuanced exclusion logic
 - Analyze out-of-state ratios for other payers as data become available
4. Statewide Improvement and Attainment Targets under the TCOC Model;
 - 7.5 percent Improvement over 5 years (2018-2023)
 - Ongoing evaluation of the attainment threshold at 65th percentile
5. Social Determinants of Health and Readmission Rates; and
 - Methodology developed to assess within-hospital readmission disparities

² For more information on the HRRP, please see: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/Readmissions-Reduction-Program>

³ See Appendix I for further details of the current RRIP methodology.

6. Alternative Measures of Readmissions

- Further analysis of per capita readmissions as broader trend; not germane to the RRIP policy because focus of evaluation is clinical performance and care management post-discharge
- Observation trends under the All-Payer Model to better understand performance given variations in hospital observation use; future development will focus on incorporation of Excess Days in Acute Care (EDAC) measure in lieu of including observations in RRIP policy
- Electronic Clinical Quality Measure (eCQM) may be considered in future to improve risk adjustment

Literature Review from MPR

As part of the initial work to establish the Readmission work group, staff contracted with Mathematica Policy Research (MPR) to conduct a literature review covering the following topics: optimal readmission rates, alternative readmission measures, and early evaluations of the federal Hospital Readmission Reduction Program (HRRP). The literature review is provided in Appendix II. Ultimately, MPR's literature review was used to inform the RRIP policy but highlighted the lack of consensus around these issues.

Optimal readmission rate: MPR found that there was no agreed upon optimal readmissions rate in the literature. Target readmission rates vary based on study specifics, conditions studied, and interventions analyzed. Using algorithms and chart review, the literature suggested that avoidable readmissions constituted between 5 to 79 percent of experienced readmissions. However, the definition of "avoidable" varied between studies, as did the patient-mix and conditions evaluated. Based on this, as discussed in the assessment section, staff relied on other types of opportunity analyses to suggest an optimal readmission rate.

Alternative readmission metrics: MPR examined other metrics of readmissions outside of 30-day inpatient readmissions, including outpatient revisits, readmissions within a different time window, and population-based readmissions. MPR identified a difference in short-term and long-term readmissions, where short-term readmissions are more closely tied to hospital care quality and discharge planning, while longer-term readmissions are more representative of population and community health. In addition, MPR found that population-based measures of readmissions, such as per capita readmissions or excess days in acute care (EDAC), may provide additional information linked to community and population health. Based on this review, it may be worthwhile for HSCRC to examine performance on multiple readmission metrics that capture different information. However, staff did not revise the RRIP methodology to incorporate long term readmissions or per capita readmissions at this time, because the focus of the policy remains evaluating clinical performance outcomes and care management post discharge.

Impact of Federal HRRP: Finally, MPR analyzed the literature published on the federal HRRP. The federal HRRP has been in place since FFY2013, and MPR concluded that the

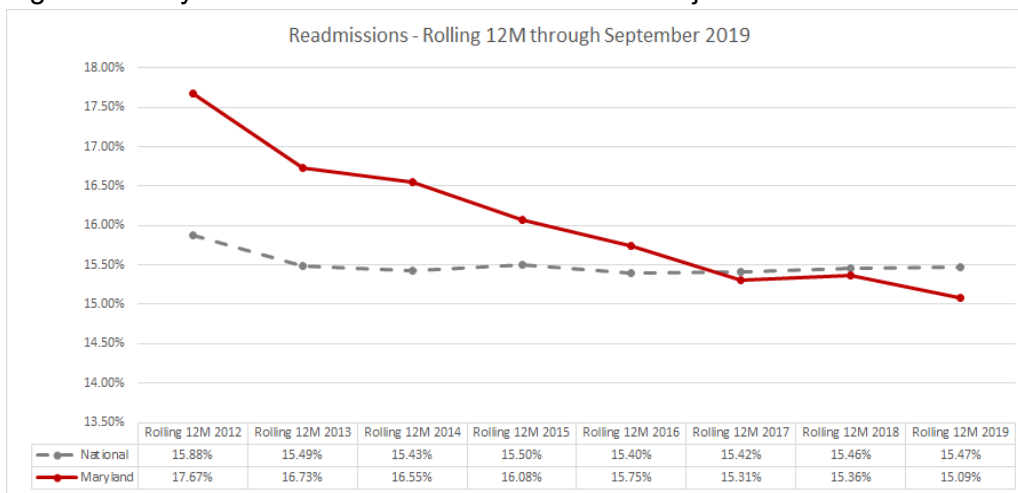
preponderance of the evidence suggests HRRP has contributed to a reduction in readmissions nationally. While some studies identified a negative impact of HRRP on mortality, other studies have found a beneficial relationship between HRRP and mortality. Based on this mixed evidence for such an important issue, HSCRC will continue to follow and monitor studies between HRRP and mortality. Additionally, the literature appears to show an increase in ED revisits and observation stays in concert with HRRP; however, this may be due to a concurrent Medicare payment change resulting in fewer short inpatient stays. Overall, MedPAC found that increases in spending due to ED and observation stays were smaller than the cost of readmissions they may have replaced.⁴

Assessment

Current Statewide Year To Date Performance

At the end of 2018, Maryland had a Medicare readmission rate of 15.40 percent, which was below the national rate of 15.45 percent. The most recent readmission data show Maryland has continued its improvement on Medicare FFS readmissions relative to the nation; with the most recent 12 months of data (through September 2019), Maryland's Medicare readmission rate was 15.09 percent compared to the national Medicare readmission rate of 15.47 percent (Figure 1). This is the measure that CMMI will use to assess Maryland's performance on readmissions under the TCOC Model.

Figure 1. Maryland and National Medicare FFS Unadjusted Readmission Rates



Maryland hospitals have also performed well on the RY 2021 RRIP performance standards as shown in Figure 2, with 33 of 47 hospitals on target to achieve the -3.90 percent improvement

⁴ See: MedPAC June 2018 Report Chapter 1, "Mandated Report: The Effects of the Hospital Readmission Reduction Program", http://www.medpac.gov/docs/default-source/reports/jun18_ch1_medpacreport_rev_nov2019_v2_note_sec.pdf?sfvrsn=0

required in 2019 relative to a 2016 base, and 21 of 47 hospitals on target to be at or below the 11.12 percent attainment threshold.

Figure 2. RY 2021 By Hospital Improvement in Case-Mix Adjusted Readmission Rates

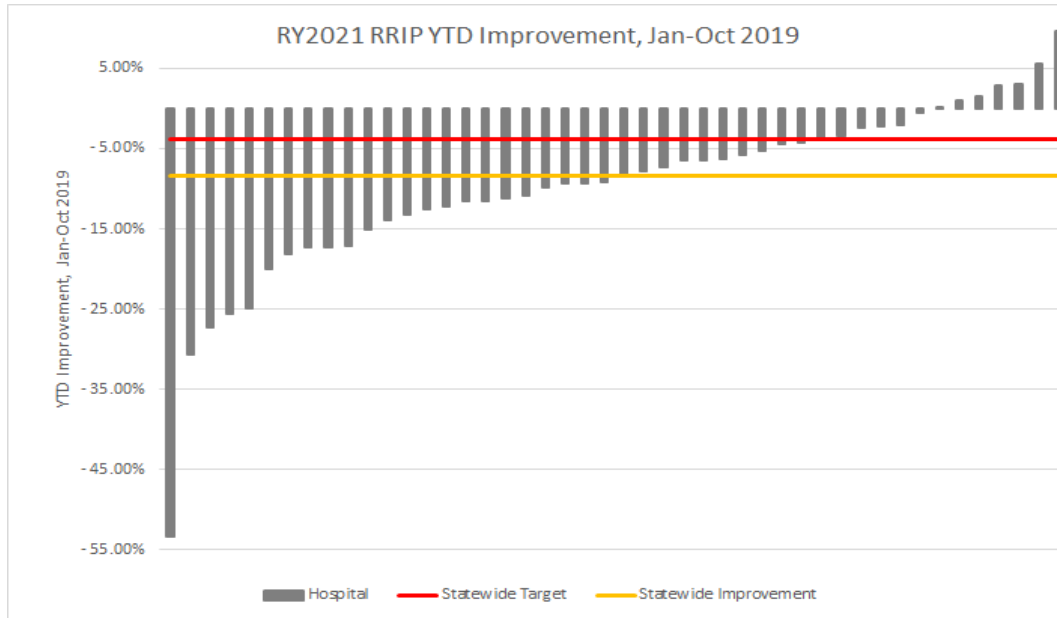
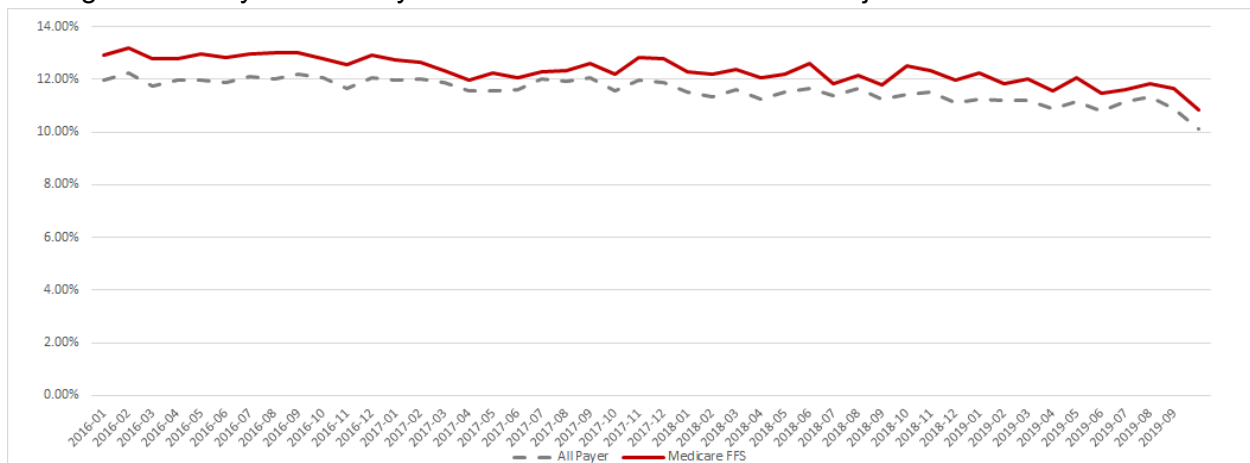


Figure 3 shows that since 2016 Maryland has maintained statewide improvements in case-mix adjusted readmissions for both All-Payer and Medicare FFS populations. Compared to CY 2016 YTD, the all-payer and Medicare FFS case-mix adjusted readmission rate have declined by 8.38 percent and 9.29 percent, respectively.

Figure 3. Maryland All-Payer and Medicare FFS Case-Mix-Adjusted Readmission Rates



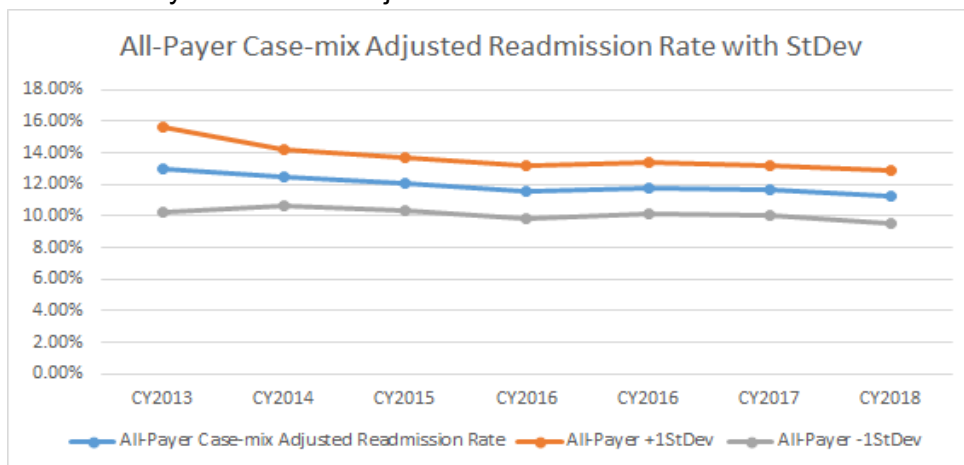
For further information on Maryland hospital current (RY 2021 YTD) performance, please see Appendix III.

Shrinking Denominator of Eligible Discharges

To update the RRIP program, one of the initial areas that the subgroup wished to explore was the impact of the dramatic reduction in inpatient hospital utilization during the All-Payer Model, from over 685,000 annual admissions in 2013 to just over 610,000 annual admissions in 2018. Expressed in terms of admissions that are discharges eligible for a readmission, the decrease is 538,603 to 472,385, with a 4.37 percent decrease from 2016 to 2018. At the same time, the severity of illness (SOI) of admitted patients increased. Stakeholders were concerned that, having removed potentially preventable readmissions from the system, the remaining readmissions were less preventable. However, the concurrent 2016-2018 decrease in the number of expected readmissions was just 0.2 percent (compared to 4.37 percent decrease of eligible discharges) suggesting that the increased severity of illness/complexity of remaining eligible discharges is acknowledged in the normative values used to generate the case-mix adjusted readmission rate.

Additionally, staff trended the case-mix adjusted readmissions across the All-Payer Model, both All-Payer and by-payer, and calculated the standard deviation from the state average. If Maryland hospitals were approaching an asymptote of preventable readmissions—that is, a finite point by which readmissions could not be reduced further—the standard deviation would similarly converge around the state average rate. However, staff analysis showed that the standard deviation remained at a steady distance from the state average rate, as seen in Figure 4, suggesting continued variations in performance and room for additional improvement.

Figure 4: All-Payer Case-Mix Adjusted Readmission Rate and Standard Deviation



Finally, staff analyzed the relationship between a hospital's decrease in eligible discharges and their readmission rate in a given year and found that there was no correlation, suggesting that as discharges have been reduced due to the incentives of the model it is not associated with worse RRIP performance.

Staff and stakeholders were initially concerned that the reduction of eligible discharges achieved during the All-Payer Model was inadvertently making it challenging for hospitals to further reduce their readmission rates; however, staff believes these analyses suggest that Maryland maintains the capacity to further reduce readmissions.

Benchmarking of Similar Geographies using Medicare and Commercial Data

The Commission and stakeholders wish to understand Maryland's performance on readmissions relative to National benchmarks beyond the Medicare FFS national rate. Previously, the Commission did not have data for benchmarking commercial readmission rates. Furthermore, stakeholders requested that Maryland be compared to peers, in addition to the aggregate national trends.

Thus, HSCRC staff worked throughout 2019 to generate a peer geographic group to compare Maryland charges and quality metrics to comparable non-Maryland geographies. The MEDA center acquired a detailed dataset for Medicare FFS beneficiaries and a separate dataset for Commercial beneficiaries. Commercial beneficiaries were compared using Milliman's Consolidated Health Cost Guidelines Score Database (CHSD), as well as MHCC's Medical Claims Database (MCDB).⁵ Data availability necessitated that comparable entities be at the county-level for Medicare and at the Metropolitan Statistical Area (MSA) for Commercial, as zip code or hospital primary service area was too granular to be feasible.

Maryland geographies were first compared to potential peer geographies with a similar level of urbanization. After an extensive process comparing multiple factors, Maryland geographies were then further compared to non-Maryland geographies based on the following four main characteristics: median income, deep poverty, regional price parity, and risk score (Hierarchical Condition Category (HCC) for Medicare and HHS Platinum Risk Score for Commercial). For Medicare, each urban county in Maryland was compared to 20 urban counties nationwide, and each non-urban county in Maryland was compared to 50 non-urban counties nationwide.⁶ All Commercial MSAs were compared to 20 peer MSAs. Maps of selected peer geographies are included in Appendix IV.

Figure 5 below shows the results from the Medicare FFS and Commercial benchmarking to like geographies. Using the peer counties, the MEDA center analyzed 2018 Medicare FFS readmissions for Maryland and Peer Counties using the unadjusted readmission rate logic used in the All-Payer Model Waiver Test. In 2018, Maryland Medicare FFS readmission rates were on par with (slightly better than) national peer counties at 15.47 percent and 15.57 percent, respectively. Two top performing benchmarks are also provided: 1. the readmission rate at the

⁵ The MCDB was previously known as the All-Payer Claims Database (APCD).

⁶ In the Commercial dataset, non-Maryland entities were designated at the metropolitan statistical area (MSA) level, the HHS Platinum Risk score was substituted for the Medicare HCC, and Maryland was matched to 20 non-Maryland MSAs due to the smaller number of total MSAs.

75th percentile of peer counties, and 2. the statewide readmission rate if all counties in MD were at or below the 75th percentile of peer counties. These two benchmarks provide an estimate of the opportunity for Maryland under the TCOC model.

Separately, the MEDA center compared 2017 Maryland MCDB Commercial beneficiary readmission rates to Peer MSAs using the Milliman data. The Commercial readmission rates were analyzed on both an unadjusted and case-mix adjusted basis, but the unadjusted rates are included below. In 2017, Maryland Commercial beneficiary readmission rates were on par with (slightly better than) national peer MSAs, at 6.84 percent and 6.98 percent respectively. The two top performing benchmarks are also provided for the Commercial data. This commercial benchmarking analysis is the first analysis completed for non-Medicare data, and it is reassuring that the Commercial results also show favorable performance that is consistent with Medicare FFS analyses

Figure 5. Unadjusted Readmissions Rates and Top Performing Benchmarks, MEDA Center Benchmarking

Payer (year)	Maryland	Peer Geographies	Top Performing Benchmark: 75th Percentile of Peer Geographies	Top Performing Benchmark: All MD Counties at or below the 75th Percentile of Peer Geographies
Medicare FFS (2018)	15.47%	15.57%	14.72%	14.53%
Commercial (2017)	6.84%	6.98%	6.53%	6.44%

This analysis further solidifies Maryland’s understanding that, at the conclusion of the All-Payer Model, Maryland achieved the All-Payer Model Waiver Test to be at or below the National Medicare FFS Readmission Rate. Staff also analyzed the peer group readmission trends to calculate readmission rates at the 75th percentile (25th percentile lowest readmission rate) to approximate an improvement opportunity, as well as analyzed per capita readmission rates, which will be discussed further below. Further information from the Benchmarking Results can be found in Appendix IV.

Measure Updates

Removal of Patients who Leave Against Medical Advice (AMA)

Stakeholders, including Commissioners, requested that the HSCRC consider removing patients whose discharge disposition is “left against medical advice”, reasoning that this patient population is unlikely to receive hospital interventions to reduce readmissions—and these patients are excluded from the national readmission measures. To make the decision on whether to exclude these patients from RRIP, the subgroup reviewed literature and data on the

impact and types of patients who leave AMA. One Maryland study involving focus group interviews of patients and providers at an academic medical center suggested the following reasons that patients may leave AMA: pain management, other family or work obligations, wait time, doctor's bedside manner, teaching-hospital status, and communication.⁷ The subgroup also reviewed analyses of the distribution of patients who leave AMA by hospital, as well as the data showing that the majority of patients who leave AMA have a primary or secondary behavioral health diagnosis (72 percent) and have Medicaid as their payer (52 percent). Removing patients who leave against medical advice would result in a statewide reduction of approximately 7,500 eligible discharges. Given the complexity of patients who leave AMA and the fact that they may do so regardless of hospitals' quality of care, albeit unknown in terms of the total share of why patients leave AMA, staff concurs with stakeholder recommendations to remove them from the RRIP program.

Inclusion of Oncology Patients

The current RRIP readmission measure excludes oncology patients due to industry concerns that the planned admission logic did not appropriately identify planned admissions for oncology patients. When staff agreed to this exclusion, it was intended to be temporary pending development of planned admission logic that better accounted for planned oncology admissions. Thus, as part of the RRIP redesign, staff and stakeholders developed an approach for including oncology patients in the RRIP program. This work was based on an NQF-endorsed readmission measure for cancer hospitals that staff brought to the subgroup and other stakeholders for consideration.⁸ The developers of this measure state in their measure rationale that "for many cancer patients, readmission following hospitalization may be preventable and should be addressed to potentially lower costs and improve patient outcomes" and that "using this measure, hospitals can better identify and address preventable readmissions for cancer patients."⁹

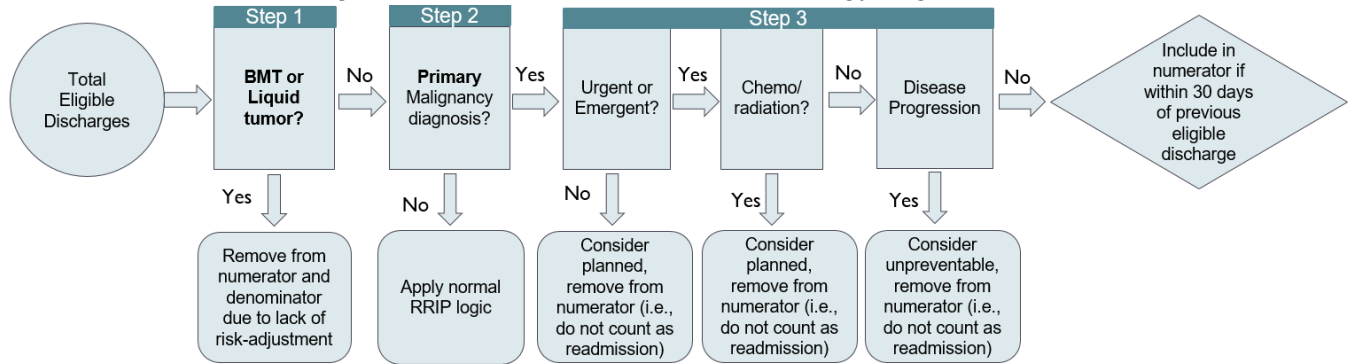
Staff made minor changes to the measure to integrate it into the RRIP program and render it suitable for measuring quality at acute care hospitals, as opposed to cancer hospitals. Figure 6 shows a flow chart for the denominator and the numerator as adapted by the HSCRC.

⁷ Onukwugha, E., et. al. Reasons for discharges against medical advice: a qualitative study. Qual Saf Health Care. 2010 October

⁸ Additional information on this measure can be found here:
https://cmit.cms.gov/CMIT_public/ReportMeasure?measureRevisionId=2296

⁹ Ibid.

Figure 6: Flow Chart for Revised Oncology Logic



*Items that are **bolded** are adaptations from NQF measure

Appendix I provides in greater detail the measure logic steps for the inclusion of oncology patients with notations of the changes and rationale from the original NQF cancer hospital measure.

The overall impact of the oncology change results in only a small increase in the readmission rate statewide for CY 2018 (Case-mix Adjusted Readmission Rate: 12.06 percent under old logic and 12.09 percent under new logic). In total, nine acute care hospitals had decreases in their readmission rates (median decrease of 0.05 percent; largest decrease was for Johns Hopkins at 0.14 percent) and 38 hospitals had increases (median increase of 0.05; largest increase 0.22 percent). These changes will be reflected in the improvement and attainment targets, and thus staff feels that inclusion of oncology patients is not detrimental to hospital performance. In fact, including oncology patients may provide hospitals the opportunity to receive credit for readmission improvements that they achieve for cancer patients.

Out-of-State Ratio Assessment

Since the advent of including credit for attainment in the RRIP policy, HSCRC has adjusted case-mix adjusted readmission rates to account for readmissions occurring outside of Maryland. These readmissions will not appear in the Maryland Case-mix data, and to date have been approximated using cross-border readmissions provided by CMS using Medicare FFS data. The ratio of “Total Medicare FFS Readmissions: In-State Medicare FFS Readmissions” (100 percent or greater) is then used to increase the Case-mix Adjusted Readmission rate to approximate cross-border readmissions. While ideally Maryland would have more data to corroborate the cross-border ratios, the Medicare FFS is the data that is readily available, and staff notes that the majority of readmissions (over 52 percent) are Medicare FFS, meaning that out-of-state ratios based on Medicare FFS remain the most relevant to approximating an accurate readmission rate for attainment.

Throughout 2019, staff worked with the MEDA Center and Medicaid partners to generate out-of-state ratios for Commercial and Medicaid beneficiaries as well. Given that there are fewer

Commercial and Medicaid readmissions, these data needed to be aggregated across multiple years for analysis. Staff will continue to analyze these data to understand the accuracy of Medicare ratios applied to the all-payer readmission rate and, if warranted, will work with stakeholders to see if there is a way to incorporate this data into the generation of out-of-state ratios moving forward.

Updating the Performance Targets under the TCOC Model

Improvement

Maryland hospitals achieved the All-Payer Model Waiver test for Medicare readmissions, to be at or below the nation by 2018. Analysis suggests that Maryland can further improve, and the TCOC Model contract states that Maryland must maintain a readmission rate below the National average.

Subgroup members agreed that further reductions in readmissions were possible, but recommended they be at a more modest improvement target, acknowledging sustained and substantial improvement under the All-Payer Model. As the literature has not generated an asymptote of acceptable readmissions, HSCRC generated a range of potential improvement scenarios, yielding readmission rate reductions of approximately 5-15 percent from existing CY 2018 levels (see Figure 7 below). As discussed in the Literature Review, it is challenging to ascertain an acceptable level of readmission rates given different methodologies and patient populations in different studies. Two of the scenarios use past trends to forecast future improvement, two use benchmarks based on recent performance, and two posit potential improvement in readmissions based on reductions in PQIs and disparities.

Figure 7. Improvement Target Estimates

Estimating Method	Percent Improvement	Resulting Readmission Rate (2023)*
1 Actual Compounded Improvement, 2013-2018	-14.94%	9.73%
2 Actual Improvement 2016-2018, Annualized to 5 Years	-11.48%	10.13%
3 All Hospitals to 2018 Median	-6.5%	10.70%
4 Benchmarking - Peer County/MSA to 75th Percentile	-4.63% to -6.20%	10.73% to 10.91%
5 Reduction in Readmission-PQIs	-9.36%	10.19%
6 Reduction in Disparities	-4.2%	10.96%

* Assuming a constant CY 2018 readmission rate of 11.44 percent (under RY 2021 logic with specialty hospitals included)

For the first estimating method (Row 1), staff analyzed the improvement achieved under the All-Payer Model and assumed that that improvement could be repeated under the TCOC Model. This ~15 percent reduction represents the higher end of the improvement estimates. The

second method (Row 2) uses the (slightly slower) improvement achieved in the final two years of the model and annualizes this two-year improvement to five years, resulting in a slightly less aggressive improvement target of ~11.5 percent.

The third and fourth estimating methods derive targets by assuming that hospitals currently performing worse than the statewide median or other peer geographies could improve to these rates. The third method (Row 3) calculates the statewide improvement if all hospitals reduced to the CY 2018 median readmission rate. The fourth estimating method (Row 4) uses the national benchmarks of like geographies previously presented to generate improvement targets for Maryland hospitals to reduce to the 75th percentile of similar geographies. Based on 2018 data, Maryland Medicare FFS readmission rates would need to improve by 5.11 percent to reach the Peer county 75th best percentile (15.47 percent to 14.72 percent), or 6.07 percent to ensure that all Maryland counties were at or below the 75th percentile (15.47 percent to 14.53 percent).¹⁰ Based on 2017 data, Maryland Commercial readmission rates would need to improve 4.63 percent to reach the Peer MSA 75th best percentile (6.84 percent to 6.53 percent), or 6.20 percent to ensure that all Maryland MSAs were at or below the 75th percentile (6.84 percent to 6.44 percent). The improvement targets presented in the Figure 7 are the upper and lower estimates across Medicare FFS and Commercial from the geographical benchmarking analysis.

The fifth method estimated what the readmission rate would be if 50 percent of readmissions that are also PQIs (i.e., avoidable admissions for conditions such as diabetes, COPD, and hypertension) are prevented. The last method on the chart estimated what the readmission rate would be if hospitals in the state with higher than average disparities reduced their readmission disparity gap to the statewide average, which will be discussed in greater detail in the next section.

These scenarios identify a range of reasonable targets but do not determine a specific readmission goal. Staff and stakeholders agree generally with the range of potential improvement targets and support the generation of a five-year target rather than annual targets based on previously used methods. Stakeholders also support including both improvement and attainment in building a revenue adjustment. Reviewing the range of potential targets, the improvement from CY 2018 experienced to-date in CY 2019, and the additional information from the benchmarking, staff feels comfortable to recommend an improvement target of 7.5 percent reduction from 2018 levels across five years, but reserves the right to revisit and revise should this target prove too aggressive or too lenient such that the state creates unintended consequences or risks not meeting the continued goal of remaining at or below that national Medicare rate.¹¹

¹⁰ The second scenario is lower as there are Maryland counties already better than the 75th percentile.

¹¹ For reference on a 2018 readmission rate of 11.44 percent a 7.5 percent improvement would result in a readmission rate of 10.58 percent, or a reduction of 0.86 percentage points.

Attainment

Historically, the HSCRC has used the 75th percentile of best performers as the threshold to begin receiving rewards for attainment. In RY 2021, this was amended to the 65th percentile to allow hospitals in the top-third of Maryland performance to earn financial rewards for attainment, which acknowledged that Maryland (historically a poor performer on readmissions) had accomplished substantial improvement during the All-Payer Model. Staff analyzed the historical policy of the 65th percentile and compared this to the improvement targets suggested by the MEDA Center Peer Group national benchmarking analysis and the various opportunity analyses discussed above in the *Improvement Section*. Ultimately, staff calculated the statewide CY 2018 case mix-adjusted rate inclusive of 7.5% improvement, as recommended above, and compared individual hospital CY 2018 readmission rates to this attainment benchmark. Staff determined that at the 65th percentile of current performance, hospitals have rates equivalent to the targeted statewide readmission rate. Therefore, staff will start rewarding hospitals at the 65th percentile in line with the recommended improvement target. Staff reserves the right to revisit the percentile cutoff for attainment rewards in future years, especially if hospital performance generally exceeds overall improvement goals.

Please see Appendix V for additional modeling of improvement and attainment under the proposed measure updates. This modeling is currently under v36 of the 3M APR-DRG grouper but will be updated under v37 for the policy memo sent to hospitals after recommendations are approved.

Reducing Disparities in Readmissions

Racial and socioeconomic differences in readmission rates are well documented^{12,13} and have been a source of significant concern among healthcare providers and regulators for years. In Maryland, the 2018 readmission rate for blacks was 2.6 percentage points higher than for whites, and the rate for Medicaid enrollees was 3.4 points higher than for other patients. A recent *Annals of Internal Medicine* paper co-authored by HSCRC staff¹⁴ reported a 1.6 percent higher readmission rate for patients living in neighborhoods with increased deprivation. Many Maryland hospitals, as well as the Maryland Hospital Association, identify reduction in readmission disparities as a key priority over the near term. Thus, staff vetted with the subgroup and PMWG an approach for measuring and incentivizing reduction in disparities for readmissions.

¹² Tsai TC, Orav EJ, Joynt KE. Disparities in surgical 30-day readmission rates for Medicare beneficiaries by race and site of care. *Ann Surg*. 2014;259(6):1086–1090. doi:10.1097/SLA.0000000000000326;

¹³ Calvillo–King, Linda, et al. "Impact of social factors on risk of readmission or mortality in pneumonia and heart failure: systematic review." *Journal of general internal medicine* 28.2 (2013): 269-282.

¹⁴ Jencks, Stephen F., et al. "Safety-Net hospitals, neighborhood disadvantage, and readmissions under Maryland's all-payer program: an observational study." *Annals of internal medicine* 171.2 (2019): 91-98.

Readmissions within Statewide Integrated Healthcare Improvement Strategy (SIHIS)

The newly signed memorandum between the HSCRC and the Center for Medicare and Medicaid Innovation calls for the State to identify one or more targets for improvement in hospital quality, referred to as the Statewide Integrated Health Improvement Strategy (SIHIS). This agreement is intended to spur improvement in areas related to population health that are not currently addressed by the agency's hospital quality programs. The longstanding racial and socioeconomic disparity in readmissions represents a barrier to continued progress in reducing Maryland's hospital readmission rate. If each Maryland hospital with an above average gap in readmission rates based on social factors (race, Medicaid status and Area Deprivation Index) improved to the state average, the State would experience a drop in the readmission rate of 4.2 percent. Accordingly, staff identified readmission disparities as an area of focus under the SIHIS and proposed a preliminary improvement of 50 percent in readmission disparities over the eight-year term of the Total Cost of Care model in the draft policy. As discussed in more detail in the stakeholder comment section, staff now propose that only a 3-year target be set for SIHIS. Staff proposes that this 3 year target will be more of a process metric and not include a specific improvement goal. However, staff may link the performance improvement under this policy to a SIHIS improvement goal in the future and still believes that this policy needs to set an improvement goal for rewards that is meaningful and in line with the proposed rewards. Thus staff has developed a methodology for incorporating improvement in disparities into payment policy.

Staff is not aware of other programs in the United States that provide hospitals with financial incentives for progress on disparities. Because the program breaks new ground, staff sought to minimize unintended consequences during the rollout of the policy by focusing initially on rewards for disparity improvement, rather than on penalties or on attainment.

Development of Disparity Metric

Making progress on readmission disparities requires staff to develop a methodology for: 1) identifying socioeconomic risk among patients; 2) measuring hospital-level disparities in readmission rates based on those risks; and 3) determining how disparities, or change in disparities, will be incorporated into hospital payment.

There are several options for measuring disparities that were considered by stakeholders. One approach would involve estimating differences in readmission rates across categories of race, Medicaid status, and potentially other variables. While straightforward, this process would provide hospitals with multiple estimates of disparities, which could lead to conflicting messages regarding performance, and would also add to the complexity of incorporating disparities into payment methodology.

To address those issues, staff developed the Patient Adversity Index (PAI), a composite social risk index incorporating information on patient race, Medicaid status, and the Area Deprivation

Index (ADI) for the area surrounding the patient's address (as recorded in claims). Staff chose, and vetted with stakeholders, these three variables because they are among the few available in claims that capture social determinants of health. Medicaid status is often used as a proxy for income. Race is included, not to reflect biological differences across races, but rather as a proxy for exposure to structural racism.¹⁵ The ADI reflects exposure to diminished access to neighborhood resources, such as health care providers, pharmacies, transportation, and gainful employment, which may impact health outcomes. Staff evaluated methods to measure disparities among the Hispanic patient population, but determined this was not feasible for the first year of the program due to data quality and risk-adjustment issues.

The PAI for each patient and discharge is calculated by regressing readmission status (yes or no) against Medicaid status, race (black vs. other), and ADI percentile, along with terms for interactions between each of these three variables. The result is a value reflecting the patient's social exposures, weighted by the degree to which each of them is associated with readmissions (See Appendix VI). The PAI value is then converted to a standardized score, which sets the statewide mean at zero and the scale such that a one-unit change is equal to a change of one standard deviation. While stakeholders initially expressed concerns about the distribution of PAI scores at each hospital, staff presented to them analyses that showed that despite the distribution of PAI varying from hospital to hospital, all hospitals serve patients at or very close to the smallest and largest values of PAI. Because of this, all hospitals have an opportunity to reduce readmissions for patients with higher PAI scores.

The goal of the disparity program is to reduce the effect that PAI has on hospital readmission rates. In other words, if a hospital's readmission rate was identical across all values of PAI, it would have a disparity of zero, as social determinants would no longer impact readmission rates.

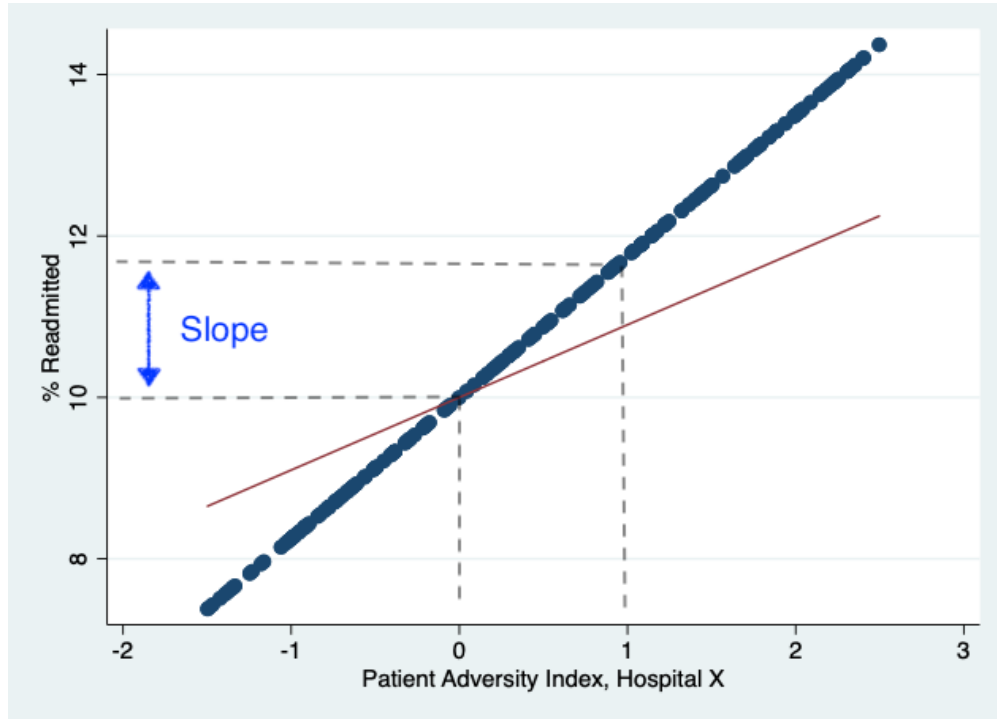
To measure the effect of PAI, staff developed a regression model that estimates the slope of PAI at each hospital, after controlling for patient age, gender, and APR-DRG readmission risk. Additionally, staff controlled for the average PAI value for patients at the hospital, as hospitals serving higher proportions of disadvantaged patients may face heightened challenges in reducing readmission rates. The PAI slope, or disparity gap measure, is interpreted as the difference in readmission rates at a given hospital between patients at a base (lower) level of PAI, and patients with PAI one unit higher than the base. The change in disparity gap measure from the base year to a given performance year is the performance metric.

Figure 8 shows the relationship between PAI and readmission rate for a hypothetical hospital in two years: Base (blue dots) and Performance (red line). The disparity gap for the base year is the slope of the line, calculated as rise over run, or difference between readmission rates at two

¹⁵ Structural racism is defined as the macro-level systems, social forces, institutions, ideologies, and processes that interact with one another to generate and reinforce inequities among racial and ethnic groups (Powell JA. Structural Racism: Building upon the Insights of John Calmore. North Carolina Law Review. 2008;86:791–816.)

levels of PAI separated by a distance of one unit. Here, we see that the rate for patients with a PAI value of 1 is ~11.75%, while the rate for patients with PAI=0 is 10%, so the disparity is 1.75%. In the performance year, the hospital has succeeded in improving on disparities, which is reflected in a line with a flatter slope.

Figure 8. Hypothetical Example of Relationship between PAI and Readmission Rates



Appendix VI provides additional details on the statistical methods used to generate the PAI score and disparity gap measure. Appendix VII additionally provides hospital distribution of PAI scores and the by hospital disparity gap measure for 2018. These data are preliminary and will be updated with the latest readmission measure and grouper version.

Financial Incentive for Disparity Improvement

As the intent of the program is to encourage a reduction in disparities over the life of the TCOC model, 2018 serves as the base year. Improvement will be assessed annually beginning with RY2022 performance period (i.e., CY 2020). The PAI weighting coefficients generated from the 2018 model will be applied to patient demographic information in each performance year to calculate patient PAI score.

Staff recommends restricting rewards under the disparities component of RRIP to hospitals with an overall improvement in their readmission rates from the base period, in order to avoid the

possibility that a hospital with an unchanged readmission rate for high-PAI patients and a worsening rate for low-PAI patients would qualify for a reward. The financial incentive for reducing disparities is above the incentives under the existing RRIP model. While stakeholders were generally supportive of addressing disparities within the RRIP policy, and indicated that they considered the proposed methodology to be sound, there was some concern among hospitals that the HSCRC would move quickly to institute penalties for hospitals that do not improve on the disparities metric.

For RY2022, the proposed reward structure is:

- 0.25 percent of IP revenue for hospitals on pace for 25 percent reduction in 8 years, ≥ 6.94 percent reduction in disparity gap measure
- 0.50 percent of IP revenue for hospitals on pace for 50 percent reduction in 8 years, ≥ 15.91 percent reduction in disparity gap measure

Staff considered scaling the reward available to hospitals between 6.94 percent and 15.91 percent reduction. However, given that this is a new policy and we have no historical data on which to base estimates of potential change, staff concluded that a two-level policy minimized potential for unintended consequences and created clear incentives for hospitals. Staff may revisit this aspect of the policy with stakeholders in subsequent rate years. Staff will also work with stakeholders in coming months to develop hospital reporting on the disparity gap measure that allows hospitals to gauge their progress toward the improvement reward and allocate resources accordingly.

Alternative Readmission Measures

The subgroup also considered alternative readmission measures that could supplement RRIP in the future. Below is a discussion of per capita readmission, excess days in acute care, and the electronic clinical quality measure for readmissions. While other readmission measures exist, stakeholders were concerned about the use of proprietary measures (e.g., 3M Potentially Preventable Readmissions) and measures that varied significantly from the CMMI readmission measure.

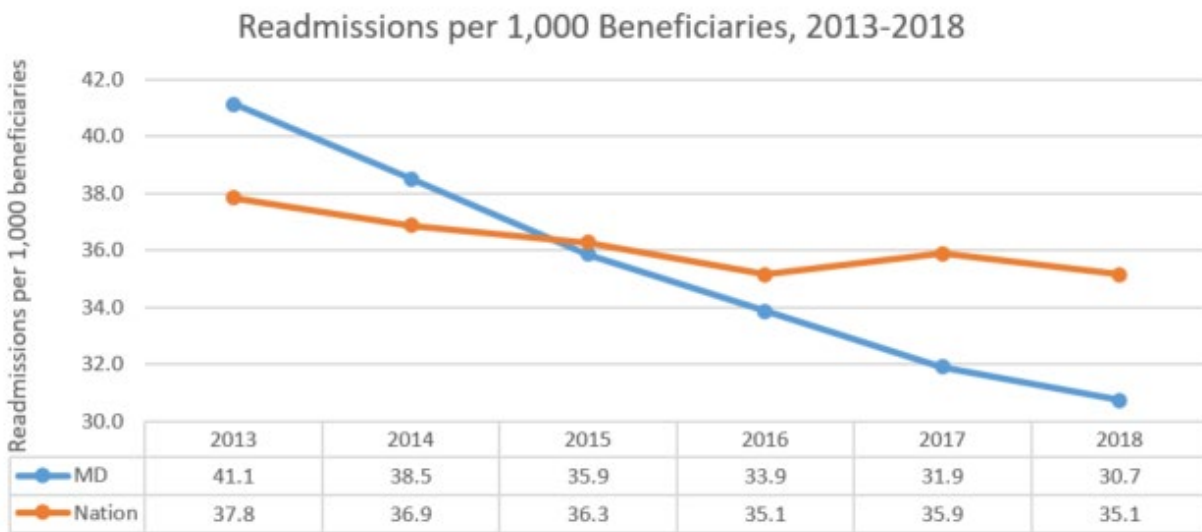
Per Capita Readmission

To date, the RRIP measures readmissions out of total eligible hospital discharges; however, staff has also explored the use of per capita readmissions to understand Maryland's performance overall. Ultimately, staff kept RRIP measurement focused on readmissions from hospital discharges to keep the measure focused on the quality of hospital care and follow-up that could precipitate or prevent a readmission. A per capita measure might obscure the rates by including the impact of admission information. As an example, a low per capita readmission rate might be reflective of a low per capita admission rate, while the per discharge readmission rate may still be high for the smaller number of admitted patients. However, staff also recognize

that per capita readmissions can be a valuable source of population health information and are often used across disparate datasets.

While not used to evaluate hospitals under the RRIP, per capita readmission rates are analyzed by staff and have been used to comment on utilization trends more generally. Most recently, both the Maryland Hospital Association and the HSCRC have presented per capita readmission rates during the All-Payer Model, comparing Maryland and the Nation. As shown in Figure 9, Maryland performs favorably compared to the nation.

Figure 9. Maryland and National Medicare FFS Per Capita Readmissions



The MEDA Center also evaluated per capita readmissions (readmissions per 1000 beneficiaries) in the benchmarking exercise detailed earlier in the policy. These analyses similarly conclude that Maryland performs on par with (slightly better than) per capita readmission rates of peer counties and peer MSAs (see Figure 10).

Figure 10. Readmissions per 1000 Beneficiaries, MEDA Center Benchmarking

Readmissions per 1000	Maryland	Peer County/MSA	Peer County/MSA 75th Percentile
Medicare FFS (2018)	38.2	39.8	34.1
Commercial (2017)	2.48	3.17	2.14

Nevertheless, looking at the distribution of peer county/MSA per capita readmissions per 1,000 suggests that Maryland’s overall performance, while commendable, has not reached the optimal readmission rate, as comparable peer groups are experiencing lower per capita readmissions per 1,000. This statement is in further support of staff recommendation to include an improvement factor in the overall RRIP policy.

Excess Days in Acute Care (EDAC)

Stakeholders remain concerned about emergency department and observation revisits, especially given the global budget incentives to avoid admissions. Thus, staff analyzed the impact of observation stays on readmission rates and found that while readmission rates increased when observation stays were included, the correlation between the readmission rates with and without observation stays was 0.986 in 2018. This analysis, and the fact that the national program does not include observation stays, led the staff to recommend that the RRIP readmission measure remain an inpatient only measure. However, staff did recommend that the Commission consider adapting the Medicare Excess Days in Acute Care (EDAC) three condition-specific measures to a measure addressing an all-payer population, and if possible all conditions, for potential program adoption in future years. The EDAC measures capture the number of days that a patient spends in the hospital within 30 days of discharge, and include emergency department and observation stays by assigning ED visits a half-day length of stay and assigning observation hours rounded up to half-day units.¹⁶ The subgroup reviewed Medicare data for the EDAC measures, which indicated that Maryland performs worse than the nation on all three measures, with variation in performance across hospitals. Staff believes an adapted measure would be a valuable addition to the RRIP policy, since the condition-specific measures as currently specified assess severity of readmission and examine multiple types of revisits that are important to patients. Currently staff is working with MPR to determine:

- The feasibility of adapting the EDAC measures to all-payers; and,
- Whether the EDAC measurement methodology has validity beyond the three conditions that Medicare currently specifies (Acute Myocardial Infarction, Heart Failure, Pneumonia) when extended to all conditions within a single measure.

Hybrid Hospital-Wide Readmission Measure

As alluded to earlier, CMS requires reporting of a Hospital Wide Readmission (HWR) measure, NQF #1789, currently derived from claims data. CMS has piloted a Hybrid HWR measure during CY 2018 that incorporates data elements from the encounter claim as well as laboratory and vital sign data from the electronic health record (EHR). CMS findings from the measure pilot include:

- Electronic Health Record (EHR) data elements add significant power to existing methods of risk standardization and risk adjustment in claims-based outcome measures.
- Core clinical data elements are feasible for extraction from existing EHRs and reporting for quality measures.

CMS is proposing to remove the claims-based HWR measure with the July, 1 2023-June 30, 2024 mandatory reporting for FFY 2026 payment year, and to replace this measure with the Hybrid HWR measure. HSCRC staff will track progress on further development of the Hybrid

¹⁶ Additional information on the EDAC measures and methodology can be found here: <https://www.qualitynet.org/inpatient/measures/edac/methodology>

measure and will consider options for augmenting the RRIP all-payer measure with EHR data elements in the future.

Future Considerations

The RRIP redesign sets TCOC Model improvement and attainment targets for readmissions based on new benchmarks, and proposes a methodology to measure and incentivize reductions in disparities in readmissions. Staff would like to thank the subgroup, PMWG, and other stakeholders for their time and input on this redesign. Over the coming years, the Commission will need to continue to monitor performance on readmissions to ensure that Maryland continues to perform better on Medicare readmissions than the national average, monitor for unintended consequences of the current improvement target, and adjust the attainment target as there are statewide improvements. In terms of disparities, the state must finalize a SIHS goal on reducing disparities in readmissions (current goal is set at 50 percent over 8 years) and adjust annual targets if a different goal is established. This work will be accomplished through collaboration with the Office of Minority Health and Health Disparities and other stakeholders. Furthermore, staff will work with hospitals and other stakeholders to monitor the impact of the disparity gap methodology and adjust the measurement and incentives as warranted. Lastly, as mentioned previously, staff may recommend to supplement the RRIP with additional measures in future years such as excess days in acute care or the hybrid quality measure for readmissions.

Stakeholder Feedback and Responses

Comment letters on the draft RRIP recommendations were submitted by the Maryland Hospital Association (MHA), the Johns Hopkins Health System (JHHS), and CareFirst BlueCross BlueShield (CF). These comments and suggestions are summarized by topic below along with staff's responses.

Improvement and Attainment Target

Stakeholders commented on the targets staff proposed in the draft recommendation as well as on Maryland's relative performance. The three letters received all agreed that the 7.5 percent improvement target was reasonable based on the staff modeling and benchmarks. JHHS did state that they expect staff to maintain their commitment to revisit and revise the target if it proves to be too aggressive, to monitor that hospitals who are doing well are not negatively impacted by the policy, and monitor for unintended consequences to patient care. The MHA letter also raised concerns that a statewide improvement goal does not mean that all hospitals, in particular well performing hospitals, have the same opportunity to improve, and that the attainment target thus may need to be eased. The CF letter noted that they appreciated the external benchmarking analysis performed by staff to evaluate Maryland's progress and current

performance. Commissioner Colmers also commented that Maryland's state ranking on performance over time would be helpful information on gauging our progress.

Staff Response: Staff appreciates the support of the 7.5 percent 5-year improvement goal since it provides a longer term TCOC target and based on various opportunity analyses appears reasonable. This being said, staff agrees with the need to monitor whether this target is too aggressive or lenient and any unintended consequences. Also, staff notes that the recommendation to base the attainment target on anticipated statewide improvement of 7.5% was intended to alleviate concerns that hospitals with limited ability to reduce readmissions further are recognized for higher performance levels. Moreover, staff agrees that as the state improves, the attainment target will need to be adjusted to ensure that Maryland hospitals that are performing well compared to National benchmarks are not unduly penalized. Finally, staff agrees that analysis of Maryland performance over time relative to external benchmarks, and including overall state ranking compared with other states, would be valuable. Staff notes that in 2012, Maryland ranked 52 out of 53 states/territories on a per discharge readmission measure rate based on data received from the CMS QIO National Coordinating Center. In CY 2017, on a different measure of Medicare unadjusted 30-day per capita readmission rates per 1,000 beneficiaries, Maryland ranked 29 of 53 states/ territories based on data from Health Quality Innovators, the former Maryland QIO. While the measures used for the rankings in 2012 versus 2017 are different, staff analyses have shown that per discharge and per capita readmission rates are highly correlated (correlation coefficient >0.85). Currently staff are working to redo state rankings using the CCW data, which will allow us to compare the same measure overtime and get more recent data.

Modifications to Readmission Measure

The comment letters support the recommendations to remove discharges where the patient left against medical advice from being eligible for a readmission, as well as the inclusion of oncology patients. The MHA letter, however, recommends that staff evaluate the new oncology provision after one year to ensure there are no unintended consequences.

Staff Response: Staff appreciates the support for these changes to the readmission measure and is open to hospitals bringing cases to us where there are concerns regarding the adapted oncology logic. In addition, staff would like to reiterate that we will be monitoring trends in the use of the AMA discharge status. Since the draft policy, HSCRC reviewed a report from our case-mix auditing contractor regarding an AMA case in which the auditor did not agree with the hospital's decision to code the case as AMA, noting that the hospital documentation did not justify a discharge disposition of AMA. Concerns on the criteria for appropriate use of AMA and administratively discharged patient disposition were raised in the subgroup and shared by staff. To monitor this concern, staff will analyze changes in the use of AMA code, and if there are significant increases in patients leaving AMA for specific hospitals, staff may consider a special audit of these discharges.

Excess Days in Acute Care (EDAC)

The CF letter supports the incorporation of the EDAC measure on an all-payer basis, especially given Maryland's poor performance on the Medicare condition-specific EDAC measures. While the MHA letter did not specifically comment on the use of the EDAC measure, the JHHS letter encouraged more discussion of the use of this measure and raised concerns on the validity of the measure and the factors that result in ED and observation revisits.

Staff Response: The recommendation to explore development of an all-payer, all condition EDAC measure was based on the subgroup discussion and review of the existing Medicare condition-specific measures. Staff believes there is general support for this analysis, and notes that this analysis can more holistically examine revisits beyond readmissions. Analysis and discussion will be needed on the adaptation of the Medicare specifications to an all-payer, all-condition measure versus other options, such as adapting our current readmission measure to include other types of revisits. However, staff believes the concept of excess days in acute care is a more nuanced measure since it captures a fuller picture of post-discharge outcomes.

Disparity Gap Measure

The CF letter supports incorporation of the disparity measure. The JHHS letter is supportive of the disparity measure, and suggests that the measure could be refined to recognize progress some hospitals have already made in reducing disparities. JHHS additionally suggested the HSCRC should explore ways for hospitals to share best practices in reducing disparities. MHA indicated that more time is necessary to determine what degree of change would represent meaningful improvement in disparities. The MHA letter suggested monitoring the disparity measure for at least a year prior to incorporating rewards or penalties into payment policy and raised concerns that it is premature to set a SIHIS goal. Additional discussion on the measure during the February Commission meeting focused on the risk of unintended consequences, specifically the possibility that the policy could encourage hospitals to avoid treating patients with high PAI scores.

Staff Response: Staff faced two challenges in setting incentives for the disparity measure: 1) There are no large-scale examples of disparity programs that provide guidance on how incentives might affect disparities; 2) For the past three years, hospital-level disparity scores have remained virtually unchanged, which means there is no empirical information available on how much change over time is feasible. It is unlikely that monitoring the disparity measure for a year would ameliorate either of these challenges. Thus, monitoring would potentially delay progress on disparities for a year without offering any insight one how to improve the draft policy. The draft policy addresses the uncertainty around setting appropriate rewards and targets for a new performance measure by restricting the incentive to reward only and setting the reward at a lower level compared to the main RRIP program. With regard to unintended consequences, the gap measure includes an adjustment for the average PAI value at

each hospital, so if hospitals were to attempt to shift their mix of patients toward the lower end of the PAI scale, they would not benefit. Staff plans to carefully track progress on the disparity measure and the effect of rewards, as well as evidence of unintended consequences, and to recommend changes to the measurement methodology and incentive structure as required.

Staff has had conversations recently with CMMI about concerns in setting a longer term disparity gap reduction goal, given this is a new measure and it is unclear what rate of improvement is feasible. Based on these conversations staff has confirmed that as long as another goal within the hospital domain has a 3, 5 and 8 year target, at this time the state only needs to submit a three year SIHIS target. The proposed 3 year target could be to have a disparity gap methodology that has been used in payment. . In terms of the RY 2022 disparity gap incentive, staff maintains that the gap improvement goals proposed in the recommendations are still reasonable given the reward.

Staff also agrees that the state should support and encourage the sharing of best practices on disparity reductions across the state. The HSCRC staff has been in discussions with the Office of Minority Health and Health Disparities, and believes that they can play an important role because of their expertise in this area. Also staff notes that while the HSCRC does not normally engage in running forums for sharing best practices, the MHA has often filled this role based on areas of focus that are approved in HSCRC policies.

Recommendations

1. Update 30-day, all-cause readmission measure with the following changes:
 - a. Exclude all discharges with discharge disposition “left against medical advice”
 - b. Include oncology discharges based on logic adapted from NQF 3188 - 30-day unplanned readmissions for cancer patients
2. Establish statewide 5-year Improvement target of -7.5 percent from 2018 base period, which would reduce Maryland Readmissions to approximately ~75th percentile of like geographies
3. Attainment Target - maintain attainment target methodology as currently exists, whereby hospitals at or better than the 65th percentile statewide receive scaled rewards for maintaining low readmission rates
4. For improvement and attainment, set the maximum reward hospitals can receive at 1 percent of inpatient revenue and the maximum penalty at 2 percent of inpatient revenue
5. Establish additional payment incentive (up to 0.50 percent of inpatient revenue) for reductions in within-hospital readmission disparities:
 - a. Provide reward of 0.25 percent of IP revenue for hospitals on pace for 25 percent reduction in disparity gap measure over 8 years (≥ 6.94 percent reduction in disparity gap measure 2018 to 2020)

- b. Provide reward of 0.50 percent of IP revenue for hospitals on pace for 50 percent reduction in disparity gap measure over 8 years (≥ 15.91 percent reduction in disparity gap measure 2018 to 2020)
 - c. Limit disparity reduction rewards to hospitals that have demonstrated improvement in the casemix adjusted, 30-day, all-cause readmission measure for the general population
- 6. Explore development of an all-payer Excess Days in Acute Care measure in order to account for severity of readmission and emergency department and observation revisits

Appendix I. RRIP Readmission Measure and Revenue Adjustment Methodology

1) Performance Metric

The methodology for the Readmissions Reduction Incentive Program (RRIP) measures performance using the 30-day all-payer all hospital (both intra- and inter-hospital) readmission rate with adjustments for patient severity (based upon discharge all-patient refined diagnosis-related group severity of illness [APR-DRG SOI]) and planned admissions.¹⁷ Unique patient identifiers from CRISP are used to be able to track patients across hospitals for readmissions.

The measure is similar to the readmission rate that is calculated by CMMI to track Maryland performance versus the nation, with some exceptions. The most notable exceptions are that the HSCRC measure includes psychiatric patients in acute care hospitals, and readmissions that occur at specialty hospitals. In comparing Maryland's Medicare readmission rate to the national readmission rate, the Centers for Medicare & Medicaid Services (CMS) will calculate an unadjusted readmission rate for Medicare beneficiaries. Since the Health Services Cost Review Commission (HSCRC) measure is for hospital-specific payment purposes, an additional adjustment is made to account for differences in case-mix. See below for details on the readmission calculation for the RRIP program.

2) Inclusions and Exclusions in Readmission Measurement

- Planned readmissions are excluded from the numerator based upon the CMS Planned Readmission Algorithm V. 4.0. The HSCRC has also added all vaginal and C-section deliveries and rehabilitation as planned using the APR-DRGs, rather than principal diagnosis.¹⁸ Planned admissions are counted as eligible discharges in the denominator, because they could have an unplanned readmission.
- Discharges for newborn APR-DRG are removed.¹⁹
- **Proposed for RY 2022:** Remove DRG oncology exclusion but continue to exclude bone marrow transplants and liquid tumor patients by making these discharges not eligible to have an unplanned readmission or count as an unplanned readmission.²⁰
- **Proposed for RY 2022:** Exclude patients with a discharge disposition of Left Against Medical Advice (PAT_DISP = 71, 72, or 73 through FY 2018; 07 FY 2019 onward)
- Rehabilitation cases as identified by APR-860 (which are coded under ICD-10 based on type of daily service) are marked as planned admissions and made ineligible for readmission after readmission logic is run.
- Admissions with ungroupable APR-DRGs (955, 956) are not eligible for a

17 Planned admissions defined under [CMS Planned Admission Logic version 4 – updated March 2018].

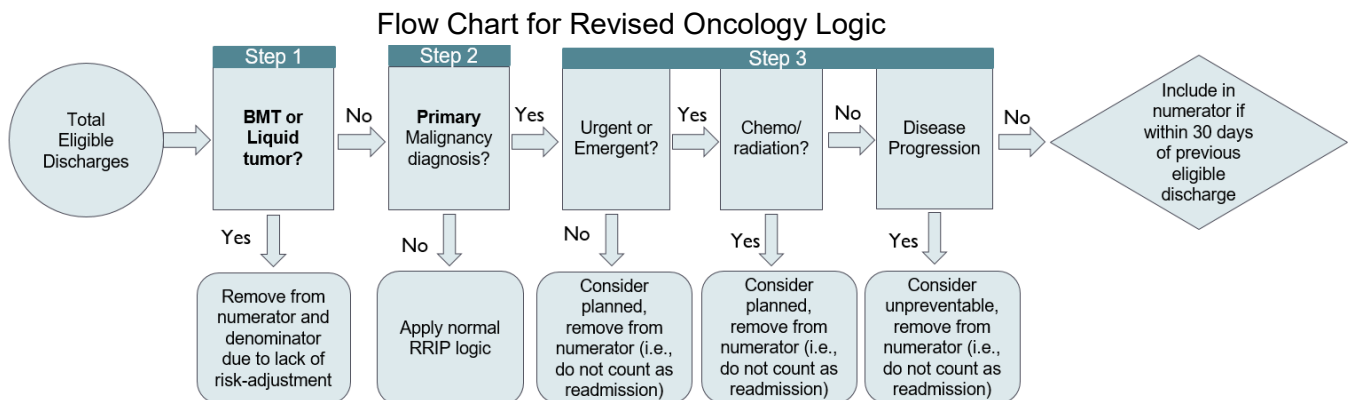
18 **Rehab DRGs:** 540, 541, 542, 560, and 860; **OB Deliveries and Associated DRGs:** 580, 581, 583, 588, 589, 591, 593, 602, 603, 607, 608, 609, 611, 612, 613, 614, 621, 622, 623, 625, 626, 630, 631, 633, 634, 636, 639, 640, and 863.

19 **Newborn APR-DRGs:** 580, 581, 583, 588, 589, 591, 593, 602, 603, 607, 608, 609, 611, 612, 613, 614, 621, 622, 623, 625, 626, 630, 631, 633, 634, 636, 639, 640, and 863.

20 **Bone Marrow Transplant:** Diagnosis code Z94.81 or CCS Procedure code 64; **Liquid Tumor:** Diagnosis codes C81.00-C96.0. See section below for additional details on the oncology logic.

- readmission, but can be a readmission for a previous admission.
- APR-DRG-SOI categories with less than two discharges statewide are removed.
 - Hospitalizations within 30 days of a hospital discharge where a patient dies is counted as a readmission; however, the readmission is removed from the denominator because the case is not eligible for a subsequent readmission.
 - Admissions that result in transfers, defined as cases where the discharge date of the admission is on the same or next day as the admission date of the subsequent admission, are removed from the denominator. Thus, only one admission is counted in the denominator, and that is the admission to the transfer hospital (unless otherwise ineligible, i.e., died). It is the second discharge date from the admission to the transfer hospital that is used to calculate the 30-day readmission window.
 - Beginning in RY 2019, HSCRC started including discharges from chronic beds within acute care hospitals.
 - In addition, the following data cleaning edits are applied:
 - Cases with null or missing CRISP unique patient identifiers (EIDs) are removed.
 - Duplicates are removed.
 - Negative interval days are removed.
 HSCRC staff is revising case-mix data edits to prevent submission of duplicates and negative intervals, which are very rare. In addition, CRISP EID matching benchmarks are closely monitored. Currently, hospitals are required to make sure 99.5 percent of inpatient discharges have a CRISP EID.

Additional Details on Oncology Logic:



*Items that are **bolded** are adaptations from NQF measure

This updated logic replaces the RY 2021 measure logic that removes all oncology DRGs from the dataset, such that an admission with an oncology DRG cannot count as a readmission or be eligible to have a readmission.

Step 1: Exclude discharges where patients have a bone marrow transplant procedure, bone marrow transplant related diagnosis code, or liquid tumor diagnosis. This logic varies from the NQF cancer hospital measure that risk-adjusts for bone marrow transplant and liquid tumors. HSCRC staff recommended removing these discharges

(similar to current DRG exclusion) because the current indirect standardization approach did not allow for additional risk-adjustment but based on conversations with clinicians staff agreed these cases were significantly more complicated and at-risk for an unpreventable readmission.

Step 2: Flag discharges with a primary malignancy diagnosis to apply cancer specific logic for determining readmissions. This varies from the NQF cancer hospital measure that flags patients with primary or secondary malignancy diagnosis being treated in a cancer specific hospital. Staff think we should only flag those with a primary diagnosis since in a general acute care hospital there may be differences in the types of patients with a secondary malignancy diagnosis. Further, we remove the bone marrow and liquid tumor discharges regardless of malignancy diagnosis, thus ensuring the most severe cases are removed. Last, our initial analyses did not show a large impact on overall hospital rates when primary vs primary and secondary malignancies were flagged. It should be noted however that the current modeling in this policy uses readmission rates where both primary and secondary are flagged.

Step 3: Flag planned admissions using additional criteria beyond the CMS planned admission logic:

- a) Nature of admission of urgent or emergent considered unplanned, all other nature of admission statuses are planned
- b) Any admission with primary diagnosis of chemotherapy or radiation is considered planned
- c) Any admission with primary diagnosis of metastatic cancer is not considered preventable, and thus gets excluded from being a readmission

In step 3, admissions are deemed not eligible to be a readmission but they are eligible to have a subsequent unplanned readmission.

3) Details on the Calculation of Case-Mix Adjusted Readmission Rate

Data Source:

To calculate readmission rates for RRIP, inpatient abstract/case-mix data with CRISP EIDs (so that patients can be tracked across hospitals) are used for the measurement period, with an additional 30 day runout. To calculate the case-mix adjusted readmission rate for CY 2018 base period and CY 2020 performance period, data from January 1 through December 31, plus 30 days in January of the next year are used. The base period data are used to calculate the normative values, which are used to determine a hospital's expected readmissions, as detailed below, as well as the estimated CY 2018 readmission rates.

Please note that, the base year readmission rates are not "locked in", and may change if there are CRISP EID or other data updates. The HSCRC does not anticipate changing the base period data, and does not anticipate that any EID updates will change the base period data significantly; however, the HSCRC has decided the most up-to-date data should be used to

measure improvement. For the performance period, the CRISP EIDs are updated throughout the year, and thus, month-to-month results may change based on changes in EIDs.

SOFTWARE: APR-DRG Version 37 for CY 2018-CY 2020.

Calculation:

$$\text{Case-Mix Adjusted Readmission Rate} = \frac{\text{(Observed Readmissions)}}{\text{(Expected Readmissions)}} * \text{Statewide Base Year Readmission Rate}$$

Numerator: Number of observed hospital-specific unplanned readmissions.

Denominator: Number of expected hospital specific unplanned readmissions based upon discharge APR-DRG and Severity of Illness. See below for how to calculate expected readmissions, adjusted for APR-DRG SOI.

Risk Adjustment Calculation:

Calculate the Statewide Readmission Rate without Planned Readmissions.

- Statewide Readmission Rate = Total number of readmissions with exclusions removed / Total number of hospital discharges with exclusions removed.

For each hospital, enumerate the number of observed, unplanned readmissions.

For each hospital, calculate the number of expected unplanned readmissions at the APR-DRG SOI level (see Expected Values for description). For each hospital, cases are removed if the discharge APR-DRG and SOI cells have less than two total cases in the base period data.

Calculate at the hospital level the ratio of observed (O) readmissions over expected (E) readmissions. A ratio of > 1 means that there were more observed readmissions than expected, based upon a hospital's case-mix. A ratio of < 1 means that there were fewer observed readmissions than expected based upon a hospital's case-mix.

Multiply the O/E ratio by the base year statewide rate, which is used to get the case-mix adjusted readmission rate by hospital. Multiplying the O/E ratio by the base year state rate converts it into a readmission rate that can be compared to unadjusted rates and case-mix adjusted rates over time.

Expected Values:

The expected value of readmissions is the number of readmissions a hospital would have experienced had its rate of readmissions been identical to that experienced by a reference or normative set of hospitals, given its mix of patients as defined by discharge APR-DRG category and SOI level. Currently, HSCRC is using state average rates as the benchmark.

The technique by which the expected number of readmissions is calculated is called indirect standardization. For illustrative purposes, assume that every discharge can meet the criteria for having a readmission, a condition called being “eligible” for a readmission. All discharges will either have zero readmissions or will have one readmission. The readmission rate is the proportion or percentage of admissions that have a readmission.

The rates of readmissions in the normative database are calculated for each APR-DRG category and its SOI levels by dividing the observed number of readmissions by the total number of eligible discharges. The readmission norm for a single APR-DRG SOI level is calculated as follows:

Let:

N = norm

P = Number of discharges with a readmission

D = Number of eligible discharges

i = An APR DRG category and a single SOI level

$$N_i = \frac{P_i}{D_i}$$

For this example, the expected rate is displayed as readmissions per discharge to facilitate the calculations in the example. Most reports will display the expected rate as a rate per one thousand.

Once a set of norms has been calculated, the norms are applied to each hospital’s DRG and SOI distribution. In the example below, the computation presents expected readmission rates for a single diagnosis category and its four severity levels. This computation could be expanded to include multiple diagnosis categories, by simply expanding the summations.

Consider the following example for a single diagnosis category.

Expected Value Computation Example – Individual APR-DRG

A Severity of Illness Level	B Eligible Discharges	C Discharges with Readmission	D Readmissions per Discharge (C/B)	E Normative Readmissions per Discharge	F Expected # of Readmissions (A*E)
1	200	10	.05	.07	14.0
2	150	15	.10	.10	15.0
3	100	10	.10	.15	15.0
4	50	10	.20	.25	12.5
Total	500	45	.09		56.5

For the diagnosis category, the number of discharges with a readmission is 45, which is the sum of discharges with readmissions (column C). The overall rate of readmissions per discharge,

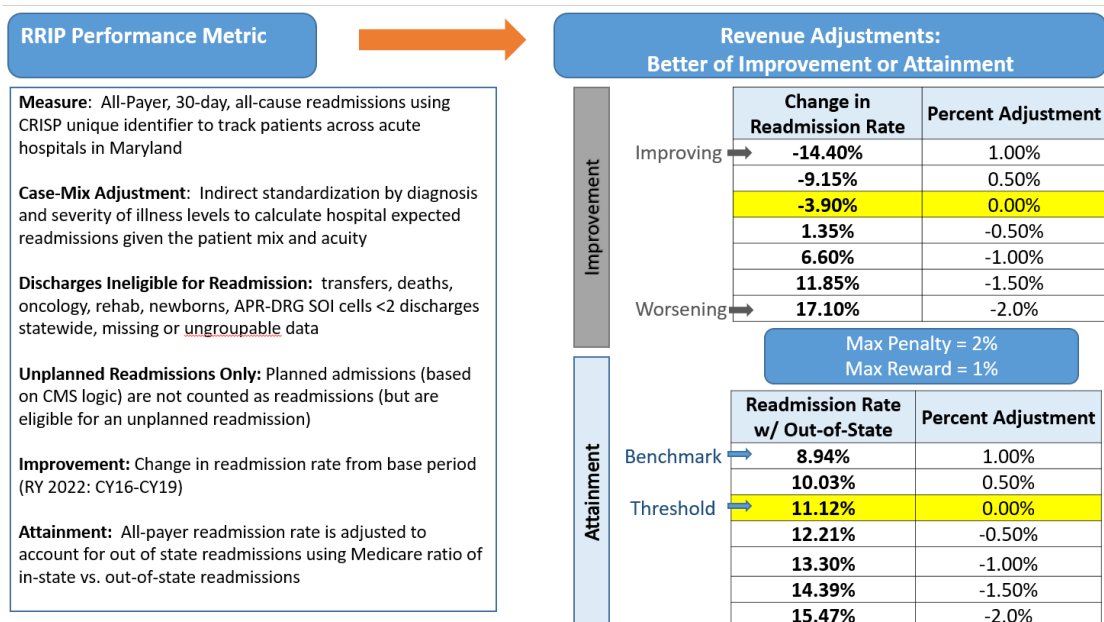
0.09, is calculated by dividing the total number of eligible discharges with a readmission (sum of column C) by the total number of discharges at risk for readmission (sum of column B), i.e., $0.09 = 45/500$. From the normative population, the proportion of discharges with readmissions for each severity level for that diagnosis category is displayed in column E. The expected number of readmissions for each severity level shown in column F is calculated by multiplying the number of eligible discharges (column B) by the normative readmissions per discharge rate (column E) The total number of readmissions expected for this diagnosis category is the sum of the expected numbers of readmissions for the 4 severity levels.

In this example, the expected number of readmissions for this diagnosis category is 56.5, compared to the actual number of discharges with readmissions of 45. Thus, the hospital had 11.5 fewer actual discharges with readmissions than were expected for this diagnosis category. This difference can also be expressed as a percentage or the O/E ratio.

4) Revenue Adjustment Methodology

The RRIP assesses improvement in readmission rates from base period, and attainment rates for the performance period with an adjustment for out-of-state readmissions. The policy then determines a hospital’s revenue adjustment for improvement and attainment and takes the better of the two revenue adjustments, with scaled rewards of up to 1 percent of inpatient revenue and scaled penalties of up to 2 percent of inpatient revenue. The figure below provides a high level overview of the RY 2021 RRIP methodology for reference and will be updated for RY 2022 once the policy is approved.

Overview Rate Year 2021 RRIP Methodology



Appendix II. MPR Literature Review

MEMORANDUM

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TO: Alyson Schuster, Andrea Zumbrum, and Geoff Dougherty

FROM: Kristin Maurer and Eric Schone

DATE: 2/28/2019

SUBJECT: Readmission Literature Survey Findings

To help the Maryland Health Services Cost Review Commission plan the evolution of its performance-based payments programs, Mathematica surveyed recent scholarly publications and gray literature related to readmission. In particular, we reviewed literature on the following subjects:

- Per capita or population-based readmission measures
- The relation of readmissions to emergency department (ED) use or observation stays
- The significance of different follow-up periods for readmission
- Alternative measures of post-discharge health care use
- Identifying a target readmission rate
- The impact of declining readmission rates
- The impact of CMS's Hospital Readmission Reduction Program (HRRP)

This memo describes the current state of our literature search and summarizes findings for each of these areas.

Methods

Our search contained two parts. One part was a systematic MEDLINE search of original articles, review articles, and technical reports. We screened articles identified by the keywords for relevance and then reviewed them. We describe keywords and search results in Table 1 below. For the topic of declining admissions, a keyword search did not yield any useful results. However, we attempted to address that topic by reviewing publications identified in the course of reviewing publications identified in our reviews of other topics. The second part was a non-

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systematic review of articles and reports on the subject of the HRRP. This review includes articles cited in the Medicare Payment Advisory Commission’s (MedPAC’s) report on the HRRP and recent articles on the effects of the program.

Table 1. Search strategy summary

Search engines	MEDLINE
Years	2010–present
Article types	Original article, report, review article, journal article, meta-analysis, systematic review, technical report
Mesh	Patient readmission or hospitalization and United States
RQ1	“Redefining” readmission measures
Question	Is there evidence to support changes to readmission measures or measures in use or under development that consider the following: <ol style="list-style-type: none">1. Per capita readmissions (or other population-health based measures)2. Time spent at home versus in hospital or skilled nursing facility (quality of life functional status post-discharge)3. Window for readmissions4. Emergency department, observation visits, and other unplanned care
Keywords	1. readmission* and hospital* and (rate* or measure*) and (population or community or “referral region”) 2. (rate* or measure*) and (time home or home time) ¹ 3. readmission* and hospital* and (rate* or measure*) and (window* or interval*) 4. readmission* and hospital* and (rate* or measure*) and (ED or "emergency department" or "emergency room" or observation)
Examples	<u>Per capita readmissions (or other population-health based measures)</u> 1. Herrin, Jeph, Justin St Andre, Kevin Kenward, Maulik S. Joshi, Anne-Marie J. Audet, and Stephen C. Hines. “Community Factors and Hospital Readmission Rates.” <i>Health Services Research</i> , vol. 50, no. 1, 2015, pp. 20–39. <u>Quality of life after discharge</u> 1. Greene, S.J., E.C. O’Brien, R.J. Mentz, N. Luo, N.C. Hardy, W.K. Laskey, P.A. Heidenreich, C.L. Chang, S.J. Turner, C.W. Yancy, A.F. Hernandez, L.H. Curtis, P.N. Peterson, G.C. Fonarow, and B.G. Hammill. “Home-Time After Discharge

¹ We did not apply the MeSH restrictions to this search.

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	<p>Among Patients Hospitalized With Heart Failure.” <i>Journal of the American College of Cardiology</i>, vol. 71, no. 23, 2018, pp. 2643–2652.</p> <p>2. Greysen, S.R., I.S. Censer, A.D. Auerbach, and K.E. Covinsky. “Functional Impairment and Hospital Readmission in Medicare Seniors.” <i>JAMA Internal Medicine</i>, vol. 175, no. 4, 2015, pp. 559–565.</p> <p>3. Welsh, R.L., J.E. Graham, A.M. Karmarkar, N.E. Leland, J.G. Baillargeon, D.L. Wild, and K.J. Ottenbacher. “Effects of Postacute Settings on Readmission Rates and Reasons for Readmission Following Total Knee Arthroplasty.” <i>Journal of the American Medical Directors Association</i>, vol. 18, no. 4, 2017, pp. 367.e1–367.e10.</p> <p><u>Window for readmissions</u></p> <p>1. Chin, David L., Heejung Bang, Raj N. Manickam, and Patrick S. Romano. “Rethinking Thirty-Day Hospital Readmissions: Shorter Intervals might be Better Indicators of Quality of Care.” <i>Health Affairs</i>, vol. 35, no. 10, 2016, pp. 1867–1875.</p> <p><u>Emergency department/observation visits</u></p> <p>1. Zuckerman, R.B., S.H. Sheingold, E.J. Orav, J. Ruhter, and A.M. Epstein. “Readmissions, Observation, and the Hospital Readmissions Reduction Program.” <i>New England Journal of Medicine</i>, vol. 374, no. 16, 2016, pp. 1543–1551.</p> <p>2. Gerhardt, Geoffrey, Alshadye Yemane, Keri Apostle, Allison Oelschlaeger, Eric Rollins, and Niall Brennan. “Evaluating Whether Changes in Utilization of Hospital Outpatient Services Contributed to Lower Medicare Readmission Rate.” <i>Medicare & Medicaid Research Review</i>, vol. 4, no. 1, 2014.</p>
Number of hits	<p>1. 156; post screening = 8</p> <p>2. 68; post-screening=6</p> <p>3. 184; post screening = 21</p> <p>4. 93; post screening = 11</p>
RQ2	Benchmarks
Question	<p>What is an “acceptable level” of readmissions or the “optimal” readmission rate? Are there initiatives that define benchmarks or thresholds at the payer level?</p>

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Title, abstract, keywords	“readmission” AND (“preventable” OR “avoidable” OR “optimal level” OR “acceptable level”) AND “quality”
Examples	<p>1. van Walraven, Carl, Carol Bennett, Alison Jennings, Peter C. Austin, and Alan J. Forster. “Proportion of Hospital Readmissions Deemed Avoidable: A Systematic Review.” <i>Canadian Medical Association Journal</i>, vol. 183, no. 7, 2011, pp. E391–E402.</p> <p>2. Donzé, J., D. Aujesky, D. Williams, and J.L. Schnipper. (2013). “Potentially Avoidable 30-day Hospital Readmissions in Medical Patients: Derivation and Validation of a Prediction Model.” <i>JAMA Internal Medicine</i>, vol. 173, no. 8, 2013, pp. 632–638.</p>
Number of hits	222 (in MedLINE) Post screening = 29
RQ3	Decline in admissions
Question	What is the impact of the decline of admission rates on readmission measures (that is, shrinking denominator), particularly with regard to HRRP?
Keywords	NA
Examples	<p>1. Cram, P., X. Lu, S.L. Kates, J.A. Singh, Y. Li, and B.R. Wolf. “Total Knee Arthroplasty Volume, Utilization, and Outcomes Among Medicare Beneficiaries, 1991-2010.” <i>JAMA</i>, vol. 308, no. 12, 2012, pp. 1227–1236.</p> <p>2. Kulkarni, V.T., S.J. Shah, S.M. Bernheim, Y. Wang, S.L.T. Normand, L.F. Han, M.T. Rapp, E.E. Drye, and H.M. Krumholz. (2012). Regional Associations Between Medicare Advantage Penetration and Administrative Claims-Based Measures of Hospital Outcome.” <i>Medical Care</i>, vol. 50, no. 5, 2012, pp. 406.</p>

HRRP = Hospital Readmissions Reduction Program; RQ = research question.

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Findings

Population-based readmission measures

One definition of the denominator of the readmission rate is the number of index admissions at a given hospital. An alternative denominator definition is the size of the population over which readmissions are identified. Readmissions might be defined across the admissions of all hospitals serving a particular population with a denominator of their combined index discharges; the denominator might also be defined as the total population of the geographic area served by a hospital or hospitals. Thus, the per capita readmission rate would be defined as the product of the admission rate and of the readmission rate conditional on admission. However, readmission rates in population-based measures are generally part of a more broadly defined measure, such as an admission rate. Population-based measures can be used to assess quality across different populations, such as a health plan, accountable care organization, hospital market, or hospital referral region.

Epstein et al. (2011) found that all-cause admission rates were a strong predictor of regional variations in readmission rates, suggesting that the factors leading to high hospital utilization rates in a community might weaken the impact on readmission rates of transitional care and care coordination. Herrin et al. (2015) found that 58 percent of the national variation in readmission rates could be explained by the county in which a hospital was located, with the strongest association for measures related to access, such as the supply of general practitioners and specialists in the county. These studies indicate that a per capita approach might be the best way to identify variation in the factors most responsible for affecting readmissions.

MedPAC recommended in its June 2018 Report to Congress that Medicare incorporate population-based measures for Medicare Advantage plans, accountable care organizations, and fee-for-services (FFS) beneficiaries in defined market areas when assessing quality in incentive programs (MedPAC 2018a). A potentially preventable admission (PPA) measure treats the readmission as one type of PPA. MedPAC recommended implementing a PPA measure to assess hospitalizations that could be preventable if ambulatory care occurs in a timely and effective manner. It thus favors community investments that promote efficient use and high quality care without discriminating between patients who have previously been hospitalized and those who have not. MedPAC describes 3-M's PPAs, Agency for Healthcare Research and Quality Prevention Quality Indicators (PQIs), and Healthcare Effectiveness Data and Information Set (HEDIS) PPA measures as examples of PPA measures, but without recommending one in particular. They assessed market-level variation in the HEDIS measure and concluded that about 8 percent of admissions of FFS beneficiaries older than 67 were preventable by this definition and that market-level variation was sufficient to make the measure analytically useful.

MedPAC also tested a home and community day (HCD) measure to assess how well health care markets and service areas keep people out of health care institutions. MedPAC assessed market-level variation in the ratio of days not spent in a short- or long-term rehabilitation hospital, psychiatric facility, nursing home, observation status, ED, or death to days in the year.

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When it evaluated market-level variation in this measure for FFS beneficiaries older than 65, MedPAC found that it differed by only 1 percent between the 90th percentile and 10th percentile. It concluded that variations in the measure were too small to identify market-level variation in performance.

Although neither PPA nor HCD is focused on readmissions, both measures take a population-based approach to assessing avoidable hospital use, which includes readmission. Blue Cross Blue Shield of Minnesota and the Wisconsin Medicaid Hospital Quality Program use measures related to potentially preventable readmissions to assess readmissions at the commercial and Medicare Advantage plan level and for Medicaid managed care plans.

ED use and observation stays

The literature on ED and observation stays assesses the relationship of ED visits and observation stays to readmissions. This literature recognizes that inpatient stays are part of a continuum of care that patients can receive when returning to the hospital following an index stay. Because of incentives to avoid admissions, deficiencies in hospitals' care, or in care provided within the community that result in a return to the hospital, might become less likely to result in an inpatient admission. Consequently, the readmission rate would fall but the share of ED and observation stays without an inpatient admission would rise. The literature assesses whether reductions in readmissions are associated with increases in other acute care contacts not followed by inpatient admission.

Most studies have found that the reduction in readmission rates occurring in recent years has been accompanied by increases in ED and observation stays not resulting in admission. The reduction in readmissions has also been accompanied by reductions in inpatient admission rates. MedPAC's review found that reductions in readmissions that it attributed to the HRRP were accompanied by increases in ED visits and observation stays not resulting in admissions that may also be due to HRRP. However, several other studies have found that the implementation of the HRRP was not associated with an increase in either observation visits or ED use post-discharge (Gerhardt et al 2014; Horwitz et al. 2018; Zuckerman et al. 2016; Ibrahim et al. 2017). Factors other than the HRRP could explain the reduction in inpatient admissions. For example, the increase in observation stays and ED visits and decreases in admissions might be explained by changes in the Medicare recovery audit contractor (RAC) review of the medical necessity of short stays. Because of the increased likelihood they would not be reimbursed, hospitals might have responded by decreasing the number of short stay admissions that could be subject to recovery audit contractor review. Doing so would therefore have reduced readmissions and increased ED and observation stays that do not result in admission.

Different follow-up periods

Evaluating follow-up periods over which readmissions are calculated has two foci: (1) identifying the periods over which hospital discharge practices and quality efforts affect results and (2) identifying the share of readmissions and associated resource use for which readmissions during different follow-up periods are responsible.

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To assess hospital quality, public reporting and value-based payment programs have primarily adopted 30-day all-cause, unplanned readmissions measures. A 30-day window theoretically limits quality measurement to the period in which a hospital might have more control over care coordination post-discharge, but limited empirical evidence supports the use of a 30-day interval to detect readmissions attributable to hospital variation (Chin et al. 2016; Vaduganathan et al. 2013).

One study testing the optimal interval for assessing readmission rates as a measure of hospital quality found that measuring readmission rates at shorter intervals (five to seven days) was a better signal of hospital-level quality than a longer period but that the optimal timing varies across conditions (Chin et al. 2016). Another study analyzing the risk of readmissions following hospitalization for acute myocardial infarction (AMI), heart failure (HF), and pneumonia found that the extent and timing of readmission risk varied by readmission diagnosis, but risk generally peaked within two to ten days after discharge (Krumholz et al. 2016).

Overall, the appropriate interval for readmissions measures depends on the goal of the measure or associated public reporting or value-based payment program. Readmissions that occur within the first few days after discharge might reflect poor care coordination on the part of the hospital. A short interval, such as seven days, might be more appropriate than a long one if the goal is to detect readmissions that could be directly avoided through efforts taken by hospitals at the time of discharge. Adjusting the existing 30-day all-cause readmission measures by weighting readmissions according to their timing could help to account for the concerns that variations in readmissions at the 30-day interval cannot be attributed to the hospital (Joynt and Jha, 2013).

Several studies of readmissions at longer intervals compared the share of all readmissions within 30 days to the share of those within longer intervals and compared the share of resources that the readmission groups represent. One study of pediatric readmissions found that 30 percent of readmissions occurring within a year occurred during the first month, and a similar analysis of unstable angina patients found that 40 percent of those readmitted within a year were readmitted within 30 days. Others found that 40 to 50 percent of readmissions occurring within 90 days occurred after 30 days. Readmissions that occur weeks or months after discharge might be indirectly related to the index hospitalization, but these readmissions could also be indicators of a patient's overall health status, socioeconomic status (SES), and ability to have health care needs met in a non-hospital setting. Measuring readmissions at longer intervals might be more appropriate when taking a population-based perspective to assess the quality across the continuum of care in a community (Jencks and Brock 2013).

One study comparing the timing of readmissions for AMI, HF, and pneumonia among high-, average-, and low-performing hospitals found no notable differences in the timing of readmissions based on hospital performance within the first 30 days (Dharmarajan et al. 2013). In other words, high-performing hospitals tended to have fewer readmissions regardless of the point at which they were measured. The high-performing hospitals identified for this study, however, were those with low 30-day readmission rates for conditions measured by the HRRP. Thus, the argument is circular: by this definition, high-performing hospitals are likely to be those with good community support as well as high quality discharge planning.

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Alternative measures of post-discharge health care use

The topics reviewed here introduce several different options for measures of health care use following discharge. The population-based measures above include the full range of inpatient and institutional care. Measures based on initial inpatient encounters that incorporate ED use and observation stays along with readmissions might be considered measures of discharge quality that account for the incentives to avoid inpatient care of patients that would otherwise be admitted (Baier et al. 2013). Readmission measures with different periods of follow-up have different implications. Short intervals measure the quality of the index stay and its associated discharge planning; long intervals capture the impact of community support.

Several empirical studies have examined measures that incorporate post-acute care in addition to readmission. One option is to use a measure of ED visits following discharge analogous to readmission rates. This measure reflects the need for post-acute care but is not sensitive to the admitting decision of the ED. One study analyzing variations in ED admission rates and examining 30-day post-discharge hospital utilization patterns in three states found that stays beginning with ED visits accounted for 40 percent of all hospital-based care (Vashi et al. 2013). Another study analyzed a measure of post-acute days as a share of post-admission days. The study found that this measure did a better job of distinguishing hospital performance than the readmission rate did. The Centers for Medicare & Medicaid Services (CMS) developed measures for AMI, HF, and pneumonia of excess days in acute care after hospitalizations to more fully capture acute care after hospitalization (Horwitz et al. 2018). Population-based measures, such as the HCD measure tested by MedPAC, could reflect the ability of the population to avoid institutional care and could be converted to a measure of post-discharge care by excluding those without a prior hospitalization. We present alternative measures in an appendix below.

Some have proposed measuring the number of days patients spend alive and outside of the hospital or a skilled nursing facility as an indicator of patients' quality of life (Green et al., 2018; Lee et al., 2018). This measure is also known as "home time". Although our literature search did not identify efforts to use a home time measure for payment, public reporting or other quality improvement initiatives, researchers have constructed home time measures for analytic purposes. Several studies have focused on home time following stroke, but recently home time has been studied as a patient-centered outcome for a broader array of conditions. These studies suggest that home time can be calculated from administrative claims data and associated with other quality of life indicators and outcome measures.

One study of Medicare claims found that reduced home time was associated with poor self-rated health, mobility impairment, depressed mood, limited social activity, and difficulty with self-care (Lee et al., 2018). In two other studies, home time following hospitalization for stroke was significantly associated with measures of disability (Quinn et al., 2008; Fonarow et al., 2016). Greene et al. (2018) found that home time following HF hospitalization was highly correlated with both time-to-death and hospitalization. In a study examining hospital-level variation in home-time following stroke, O'Brien et al. (2016) found significant variation in 90-day and 1-year home time at the hospital level, suggesting that a home time measure may help to identify and reduce variations across providers. Because of findings like these, some have

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concluded that home time measures could be made suitable for use in value-based purchasing or similar programs.

However, one of the challenges in developing a home time measure as a patient-centered outcome is that hospitalizations and SNF stays can be beneficial for a patient to subsequently maintain independence rather than simply a signal of low quality of life. Additional research is needed to understand how information about patient outcomes and quality of life post hospitalization contained in home time measures could complement or replace readmission measures.

Target readmission rate

The literature relating to a target or appropriate readmission rate approaches the subject by distinguishing avoidable and unavoidable readmissions. An appropriate target might be the level of readmissions that would result if all readmissions were unavoidable. Literature distinguishing avoidable readmissions is based on two methodological approaches: (1) chart review and (2) algorithms using information contained in administrative data. Both methods result in substantial variation in the share of readmissions classed as avoidable. The proportion of readmissions classified as avoidable ranged from 5 to 79 percent in a review of these studies (van Walraven et al. 2011).

Studies based on physicians' chart reviews in our survey produced estimates of avoidable readmissions ranging from about 5 percent to 47 percent of readmissions reviewed (Cakir and Gammon 2010; Feigenbaum et al. 2012). The studies that we reviewed used two algorithm-based methods: SQLape and 3-M's avoidable readmission measure. These methods tend to identify a greater proportion of readmissions as preventable than do chart reviews. SQLape's avoidable readmission algorithm is part of a publicly available classification system based on International Statistical Classification of Diseases and Related Health Problems, 10th revision (ICD-10) diagnosis codes and ICD-9 procedure codes (Donzé et al. 2016). 3-M's algorithm is part of a proprietary set of quality improvement tools that identify preventable adverse events, including potentially preventable complications (McCoy et al. 2018).

Identifying the share of readmissions that is avoidable implicitly defines a share that is unavoidable. The rate of unavoidable readmission, however, is not a proxy for a target rate. Depending on the method used to define avoidable readmissions, the definition might include readmissions that could be prevented by better ambulatory care. The optimal readmission rate is also affected by the admission rate.

An alternative approach is to consider interventions intended to reduce readmissions. Such a program will reduce readmission rates by investing in hospital discharge planning and use of community resources to reduce avoidable admissions. The readmission rates resulting from interventions of this type is an alternative indication of an optimal rate. Investigators evaluating a quality improvement program estimated that 20 percent to 30 percent of readmissions at the subject hospital were preventable. A quality improvement program at that hospital reduced readmissions by 28 percent (Ryan et al. 2014). A care transition program targeting avoidable

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readmissions using 3-M's algorithm reduced that readmission rate by 44 percent without affecting other readmissions (McCoy et al. 2018).

Implications of declining admission rates

In its June 2018 Report to Congress, MedPAC noted that Medicare per capita admissions declined by 17 percent between 2010 and 2016. This change in admission patterns could be the result of technological improvements, changes in care, or policy changes discouraging short-stay admissions. MedPAC attempted to identify the role of falling admission rates in reducing the readmission rate. They found that heart failure admissions dropped by 14 percent per capita and that the readmission rate among this smaller group of heart failure admissions fell by 16 percent, producing a 25 percent fall in readmissions. This result suggests that the source of the falling readmission rate could be found in reduced admissions (though that was not MedPAC's conclusion). They also found that the magnitude of the change in inpatient admission rates varied by condition and procedure included in the HRRP, and that the per capita admission rate increased for THA/TKA. However, readmission declines among these patients were similar to those affecting other conditions, lending support to the conclusion that at least some of the decline in readmission rates is due to a focus on reducing readmissions in particular (Cram et al., 2012).

A related factor that may affect readmission rates is the shift to managed care. Among Medicare patients, readmissions of FFS patients are measured under HRRP but patients enrolled in Medicare Advantage (MA) managed care plans are excluded. MA enrollment has increased steadily over time, although this growth has been distributed unevenly across states and health care markets. As patients shift to MA, declining FFS admissions may affect readmission measures. Although one study suggests that 30-day risk-standardized mortality and readmission rates do not systematically differ with MA penetration (Kulkarni et al., 2012) other evidence suggests that MA patients have lower risk than FFS patients, particularly unmeasured risk. If MA patients are lower risk, their shift out of FFS may increase measured readmission rates among FFS. However, this increase in risk would affect both admission and readmission rates. Instead both have declined during this time, suggesting that the shift to managed care has not had a large impact on readmission rates.

The impact of HRRP

HRRP reduces reimbursement for hospitals with higher-than-average readmission rates for any of six conditions. Researchers have reviewed the impact of the program in a number of areas: effect on readmissions, effect on ED care and observation stays, effect on admissions, and effect on mortality. The effort to analyze these impacts is complicated by the fact that the program was initiated for all acute care prospective payment hospitals at the same time. Thus, treatment effects such as those listed previously are difficult to measure because no control similar to the subjects of the treatment was created. Research has attempted to identify comparison groups by distinguishing conditions subject to the program from those that were not and by distinguishing eligible hospitals likely to be penalized from those that are not. Most research has indicated that the program reduced readmission rates, though even that finding is not without controversy. Similarly, observation stays and ED treatments have been found to substitute for readmission, though the increase in this treatment setting is less than observed

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declines in readmission rates. The increase in ED and observation stays might also be explained by factors other than the HRRP. Findings concerning both admission rates and mortality rates have also been mixed.

Readmission rates

Both unadjusted and risk-adjusted 30-day readmission rates declined after HRRP was established and implemented. To establish that readmission rate decreases were attributable to HRRP, the decreases for conditions included in HRRP, for Medicare patients, and for hospitals subject to HRRP were compared with other groups. Some researchers found that the decreases for groups affected by HRRP were greater, lending support to the finding that HRRP led to a decrease in readmission rates (Zuckerman et al. 2016; Desai et al. 2016; Ibrahim et al. 2017; MedPAC 2018b). Ody et al. (2019) cast doubt on this finding. They suggested that the observed decline in readmissions is attributable to an increase in data available for risk adjustment because of the change in electronic transaction standards implemented between 2010 and 2012 that increased the number of diagnosis codes recorded on claims. They found that after accounting for the effect of this additional diagnostic information by stripping diagnoses from later records, the change in risk-adjusted readmission rate was reduced and differences in readmission rate changes between targeted and non-targeted conditions and hospitals were no longer statistically significant. MedPAC addressed this finding by comparing trends in unadjusted readmission rates for AMI patients that would not have been effected by the changes in coding practices. MedPAC found that these unadjusted readmission rates for AMI beneficiaries decreased significantly, which suggests that increased diagnostic information explains only part of the drop in readmission rates and thus that readmissions for conditions affected by HRRP were reduced by the program.

Mortality

Results of several studies have suggested that the change in admitting policies produced by the HRRP has resulted in increased mortality. Other studies have supported the interpretation that the HRRP has not affected mortality or has even improved mortality outcomes. Differences in findings can be explained in part by differences in the analytic approach. Wadhera et al. (2018) and Gupta et al. (2018) measured aggregate readmission and mortality for conditions targeted by HRRP and other conditions. They found that, after the implementation of HRRP, aggregate readmissions rate reductions in targeted conditions were associated with aggregate increases in mortality for Medicare FFS patients. Wadhera et al. accounted for patients' clinical risk factors by matching pre-HRRP and post-HRRP patients based on clinical characteristics. Further, they found that the increase in mortality occurred among patients who were not readmitted. Conversely, MedPAC (2018b) and Dharmarajan et al. (2017) compared changes in mortality for hospitals that have decreasing readmission rates with mortality changes of hospitals that have increasing readmissions. Both found small but statistically significant positive correlations (0.05 and 0.06) between changes in HF readmission rates and mortality rates, suggesting that hospitals' reductions in readmission rates are weakly associated with reductions in mortality. MedPAC also compared raw and risk-adjusted mortality before and after HRRP. It found that aggregate risk-adjusted mortality for target conditions decreased during that time.

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The aggregate approach described above captures the total effect of HRRP (that is, the findings are not confounded by sorting of patients among hospitals or by hospital-level variation in unmeasured patient risk factors). However, this approach measures only an association. It cannot demonstrate a causal relation between HRRP, readmissions, and mortality—only a temporal one, from which causality is inferred. Hospital-level correlations measure the relation of reducing readmissions to mortality within the hospital experiencing the reduction, attributing that relation to causality. Hospital-level correlations, however, do not account for the impact of unmeasured patient risk factors on mortality and readmissions. For instance, a decrease in unmeasured patient risk at a hospital would reduce both its risk-adjusted mortality and risk-adjusted readmission rate, creating a spurious association of reduced mortality and readmission rates. Similarly, risk adjusted readmissions and mortality and the aggregate relation between them might be affected by the coding intensity increase cited by Ody et al.

In response to the problem of identifying the relationship between HRRP and hospitals' outcomes, one approach is to measure the association between the likelihood of being penalized under HRRP with changes in mortality and readmission. Hospitals more likely to be penalized under the program are more likely to reduce their readmissions, but random fluctuations in unmeasured risk do not affect that likelihood. Thus, the change in readmissions and mortality associated with the likelihood of a penalty can be interpreted as a response to HRRP. Gupta (2017) measures the predicted likelihood of a penalty as a function of a patient's SES and finds that hospitals that are more likely to be penalized experience significantly greater reductions in readmission rates for HRRP conditions, including a significantly reduced likelihood of readmitting their own patients when they present at the ED. His findings indicate that HRRP has reduced readmissions, and because these hospitals do not exhibit significant increases in mortality, the evidence suggests that the program is reducing readmissions without increasing mortality.

The findings of these studies differ according to the condition resulting in the index stay. As MedPAC observed, AMI is less likely to be affected by changes in coding practice or admission policies than other measures. MedPAC (2018b) found that both raw and risk-adjusted AMI mortality fell, Wadhwa et al. found no mortality effect for AMI, and Gupta found a significant reduction in mortality for penalized hospitals. Wadhwa, however, found increased mortality for HF, and Gupta found no significant change for HF or pneumonia at 30 days but a significant increase at one year.

ED and observation stays

Studies of the impact of HRRP on ED and observation stays have addressed whether the decrease in hospital readmissions accompanying HRRP is attributable to the replacement of readmissions by observation stays and ED use without admission promoted by the program (Weaver et al. 2015). MedPAC assessed the impact of HRRP by comparing changes for focal conditions with those not covered by HRRP. It found that observation stays and ED visits increased and admissions decreased both for conditions included in HRRP as well as for conditions not included. MedPAC also found that observation stays for patients without a recent admission (that is, patients who would not be counted as a readmission) increased similarly to patients with admissions. As a result, MedPAC concluded that the reduction in readmission rates

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reflects changes in practice that reduced admissions rather than shifting of short-stay admissions into observation stays to avoid readmission penalties. Zuckerman et al. also found no significant within-hospital association between changes in observation stays and readmissions after implementation of the Affordable Care Act. Both MedPAC and Zuckerman et al. noted concurrent policy changes that could explain the increase in observation stays and ED visits and decreases in admissions. For example, RAC audits, as described above, might have reduced admission rates.

MedPAC also evaluated the financial impact of HRRP and reductions in readmission rates that it attributed to the program. It found that increases in expenditures because of ED and observation stays were much smaller than the expenditures for the readmissions that they may have replaced.

Admission rates

MedPAC (2018b) noted the large national drop in initial inpatient admissions and a shift in the type of patients treated by hospitals from 2010 to 2014. This change in admission patterns could be the result of inpatient care being restricted increasingly to severely sick patients. Similar to its finding for ED and observation stays, MedPAC found that admission rates for HRRP-targeted conditions were reduced by less than rates for other conditions. It concluded that most of the change in admission rates was caused by factors other than HRRP. Gupta (2018), however, found that hospitals likely to be penalized were significantly less likely to admit patients for three HRRP conditions. The effect was smallest (but still statistically significant) for AMI and largest for HF.

Other HRRP affects

Many additional avenues by which HRRP might have affected treatment and outcomes remain unexplored. For example, because readmission rates were not adjusted for SES until fiscal year 2018, the program disadvantaged hospitals with low-SES patients who were more likely to be readmitted and thus caused hospitals treating these patients to be penalized more heavily. If admission rates for low-SES patients were reduced as a consequence, the result might have been an increase in mortality that would not be captured by inpatient or post-discharge mortality rates. In addition, the change in the program to stratify hospitals by patient SES has produced changes in its distributional impact and effect on low-SES patients that should be the subject of future research.

Conclusions

Our review resulted in conclusions concerning target rates; alternative measures of post-acute care quality, including population measures and readmissions measured at different intervals; and the impact of the HRRP.

Target rates

Identification of avoidable readmissions by chart review could provide valuable insight into readmission reduction goals, but it is subject to subjective variation. Alternatively, algorithms to identify avoidable readmissions based on administrative data are a less costly and more

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consistent way to evaluate interventions. Readmission targets should consider diagnoses and follow-up periods rather than a raw 30-day readmission rate.

Alternative measures

Readmissions at a short interval represent the quality of initial care and post-discharge planning, and a target rate of 0 is desirable. Long-term readmissions are the result of care in the community, and the readmission goal should be based on population-based approach. A hospital's readmission rate should approach the community admission rate and that rate should exclude PPAs such as those measured by AHRQ's Prevention Quality Indicators.

To produce a complete picture of the impact of readmissions reduction efforts, particularly in the short run, measures that include other inpatient contacts, such as ED or observation stays, are necessary. For example, a measure of days of post-acute care possesses more discriminant power than the readmission rate, but this measure still compounds population effects and hospital quality effects. Population-based measures should be included to address community factors.

HRRP

Our findings suggest considerable controversy about the impact of readmission reduction under CMS's HRRP. The preponderance of the evidence suggests that it has contributed to the reduction in readmissions during the time period surrounding its implementation and that it has reduced the cost of inpatient care. However, other changes in practice and data collection occurring at the same time prevent this conclusion from being definitive. Several avenues deserve more investigation: evidence of unintended consequences of the program, particularly mortality effects for HF, and its effect on admission rates and on other post-acute care. These unintended consequences should be considered in the light of their potential impact on disadvantaged patients and their hospitals. The impact of changes in the program to account for these impacts should also be investigated.

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APPENDIX: ALTERNATIVE POST-ACUTE CARE MEASURES

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Measure type	Description	Measure steward
Home and community days	Ratio of days not spent in a short- or long-term rehabilitation hospital, psychiatric facility, nursing home, observation status, ED, or death to days in the year	MedPAC
Potentially preventable admissions	Admissions that could be avoided by good ambulatory care	AHRQ/HEDIS
Potentially preventable readmissions	Based on proprietary clinical logic, readmissions that could be avoided by good care	3M ^c
30-day Post-Hospital AMI Discharge Care Transition Composite Measure	This measure scores a hospital on the incidence among its patients, during the month following discharge from an inpatient stay, having a primary diagnosis of AMI for three types of events: readmissions, ED visits, and evaluation and management services.	CMS (NQF #0698- not endorsed)
30-day Post-Hospital HF Discharge Care Transition Composite Measure	This measure scores a hospital on the incidence among its patients, during the month following discharge from an inpatient stay, having a primary diagnosis of HF for three types of events: readmissions, ED visits, and evaluation and management services.	CMS (NQF #0699- not endorsed)
30-day Post-Hospital HF Discharge Care Transition Composite Measure	This measure scores a hospital on the incidence among its patients, during the month following discharge from an inpatient stay, having a primary diagnosis of pulmonary nodular amyloidosis for three types of events: readmissions, ED visits and evaluation, and management services.	CMS (NQF#0707- not endorsed)
Excess Days in Acute Care after Hospitalization for AMI	This measure assesses days spent in acute care within 30 days of discharge from an inpatient hospitalization for AMI to provide a patient-centered assessment of the post-	CMS (NQF#2881-endorsed)

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	<p>discharge period. This measure aims to capture the quality of care transitions provided to discharged patients hospitalized with AMI by collectively measuring a set of adverse acute care outcomes that can occur after discharge: ED visits, observation stays, and unplanned readmissions at any time during the 30 days after discharge. To aggregate all three events, we measure each in terms of days. In 2016, CMS began annually reporting the measure for patients who are 65 and older, enrolled in fee-for-service Medicare, and hospitalized in nonfederal hospitals.</p>	
<p>Excess Days in Acute Care after Hospitalization for HF</p>	<p>This measure assesses days spent in acute care within 30 days of discharge from an inpatient hospitalization for HF to provide a patient-centered assessment of the post-discharge period. This measure aims to capture the quality of care transitions provided to discharged patients hospitalized with HF by collectively measuring a set of adverse acute care outcomes that can occur after discharge: ED visits, observation stays, and unplanned readmissions at any time during the 30 days after discharge. To aggregate all three events, we measure each in terms of days. In 2016, CMS began annually reporting the measure for patients who are 65 and older, enrolled in Medicare fee-for-service, and hospitalized in nonfederal hospitals.</p>	<p>CMS (NQF#2880-endorsed)</p>
<p>Excess Days in Acute Care after Hospitalization for Pneumonia</p>	<p>This measure assesses days spent in acute care within 30 days of discharge from an inpatient hospitalization for pneumonia, including aspiration pneumonia or for sepsis (not severe sepsis) with a secondary diagnosis of pneumonia coded in the claim as present on admission. This measure aims to capture the quality of care transitions provided to discharge patients hospitalized with</p>	<p>CMS (NQF#2882-endorsed)</p>

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	<p>pneumonia by collectively measuring a set of adverse acute care outcomes that can occur after discharge: ED visits, observation stays, and unplanned readmissions at any time during the 30 days after discharge. To aggregate all three events, we measure each in terms of days. In 2018, CMS began annually reporting the measure for patients who are 65 and older, enrolled in Medicare fee-for-service, and hospitalized in nonfederal hospitals.</p>	
<p>30-day PCI readmission measure^d</p>	<p>This measure estimates a hospital-level risk-standardized readmission rate following PCI for Medicare fee-for-service patients who are 65 and older. The outcome is defined as unplanned readmission for any cause within 30 days following hospital stays. The measure includes patients who are admitted to the hospital (inpatients) for their PCI and patients who undergo PCI without being admitted (outpatient or observation stay).</p>	<p>American College of Cardiology (NQF #0695)</p>

^aPlease see https://www.bluecrossmn.com/sites/default/files/DAM/2019-01/FINAL_Medicare_Preventable_Readmissions_Bulletin_P3-19_0.pdf?ReturnTo=/.

^bPlease see https://www.forwardhealth.wi.gov/wiportal/content/provider/medicaid/hospital/resources_01.htm.spage.

^cPlease see <https://multimedia.3m.com/mws/media/849903O/3m-ppr-grouping-software-fact-sheet.pdf> and <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/Post-Acute-Care-Quality-Initiatives/Downloads/Potentially-Preventable-Readmissions-TEP-Summary-Report.pdf>.

^dNQF

AHRQ = Agency for Healthcare Research and Quality; AMI = acute myocardial infarction; CMS = Centers for Medicare & Medicaid Services; ED = emergency department; HEDIS = Healthcare Effectiveness Data and Information Set; HF = heart failure; MedPAC= Medicare Payment Advisory Commission; NQF = National Quality Forum; PCI = percutaneous coronary intervention.

Appendix III. RY 2021 YTD Results

Hospitals		CY2016 Base Period (YTD, Jan-Oct 2016)						CY2019 Performance Period (YTD, Jan-Oct 2019)								
A	B	C	D	E = D/C	F	G = D/F	H = D/F * 11.99%	I	J	K = J/I	L	M = J/L	N = J/L * 11.99%	O = N/H - 1	P	Q = N*P
CMS ID	Hospital Name	Eligible Disch	Readm	Percent Readm	Expected Readm	Readm Ratio	Case-mix Adj Readm Rate	Eligible Disch	Readm	Percent Readm	Expected Readm	Readm Ratio	Case-mix Adj Readm Rate	Change in Case-mix Adj Rate from CY2016 YTD	OOS Ratio (Oct 18-Sep 19)	Case-mix Adj Readm Rate, Adj for OOS
210001	Meritus	11,406	1,293	11.34%	1,340	0.965	11.57%	11,420	1,256	11.00%	1,471	0.854	10.24%	- 11.50%	1.05	10.77%
210002	UMMC	18,751	2,707	14.44%	2,454	1.103	13.23%	18,261	2,525	13.83%	2,482	1.017	12.20%	- 7.79%	1.04	12.70%
210003	UM-PGHC	9,063	1,026	11.32%	1,113	0.922	11.06%	7,964	924	11.60%	1,106	0.836	10.02%	- 9.40%	1.20	11.99%
210004	Holy Cross	20,295	1,782	8.78%	1,804	0.988	11.85%	19,635	1,644	8.37%	1,767	0.930	11.16%	- 5.82%	1.09	12.11%
210005	Frederick	11,752	1,140	9.70%	1,383	0.824	9.88%	11,511	1,163	10.10%	1,371	0.848	10.17%	2.94%	1.05	10.66%
210006	UM-Harford	3,392	536	15.80%	505	1.061	12.72%	2,983	406	13.61%	467	0.869	10.42%	- 18.08%	1.04	10.79%
210008	Mercy	10,710	888	8.29%	845	1.051	12.60%	10,363	891	8.60%	896	0.995	11.93%	- 5.32%	1.03	12.26%
210009	Johns Hopkins	32,813	4,801	14.63%	4,291	1.119	13.42%	30,702	4,533	14.76%	4,226	1.073	12.86%	- 4.17%	1.07	13.75%
210010	UM-Dorchester	1,824	291	15.95%	267	1.089	13.06%	1,022	124	12.13%	164	0.755	9.06%	- 30.63%	1.06	9.56%
210011	St. Agnes	12,320	1,470	11.93%	1,449	1.015	12.17%	9,959	1,230	12.35%	1,259	0.977	11.72%	- 3.70%	1.01	11.79%
210012	Sinai	13,147	1,756	13.36%	1,675	1.048	12.57%	10,502	1,195	11.38%	1,377	0.868	10.41%	- 17.18%	1.01	10.52%
210013	Bon Secours	2,948	680	23.07%	511	1.331	15.96%	2,335	541	23.17%	401	1.350	16.20%	1.50%	1.01	16.40%
210015	MS Franklin Sq	15,820	2,132	13.48%	1,977	1.078	12.93%	14,811	2,003	13.52%	1,986	1.009	12.10%	- 6.42%	1.01	12.18%
210016	White Oak	7,573	874	11.54%	918	0.952	11.41%	7,348	671	9.13%	852	0.787	9.44%	- 17.27%	1.16	10.97%
210017	Garrett	1,603	85	5.30%	169	0.502	6.02%	1,215	55	4.53%	150	0.366	4.38%	- 27.24%	1.68	7.34%
210018	MS Montgomery	5,320	636	11.95%	683	0.931	11.17%	4,503	496	11.01%	613	0.809	9.70%	- 13.16%	1.07	10.39%
210019	Peninsula	12,723	1,335	10.49%	1,512	0.883	10.59%	11,475	1,126	9.81%	1,453	0.775	9.30%	- 12.18%	1.08	10.08%
210022	Suburban	10,054	1,198	11.92%	1,249	0.959	11.51%	9,974	1,117	11.20%	1,330	0.840	10.07%	- 12.51%	1.11	11.16%
210023	Anne Arundel	20,633	1,729	8.38%	1,802	0.959	11.51%	19,901	1,884	9.47%	2,004	0.940	11.28%	- 2.00%	1.03	11.67%
210024	MS Union	8,651	1,220	14.10%	1,120	1.090	13.07%	8,071	1,000	12.39%	1,033	0.968	11.61%	- 11.17%	1.01	11.76%
210027	Western MD	8,721	1,083	12.42%	1,129	0.959	11.50%	7,884	953	12.09%	1,094	0.871	10.44%	- 9.22%	1.14	11.94%
210028	MS St. Mary's	6,209	628	10.11%	678	0.926	11.10%	5,308	529	9.97%	624	0.847	10.16%	- 8.47%	1.17	11.87%
210029	JH Bayview	14,553	2,275	15.63%	1,865	1.220	14.63%	14,046	2,010	14.31%	1,862	1.080	12.95%	- 11.48%	1.02	13.21%
210030	UM-Chester	1,165	180	15.45%	152	1.182	14.18%	494	44	8.91%	80	0.550	6.60%	- 53.46%	1.16	7.66%
210032	Union Cecil	4,482	504	11.24%	572	0.881	10.56%	3,751	449	11.97%	510	0.881	10.57%	0.09%	1.22	12.95%
210033	Carroll	7,590	904	11.91%	928	0.974	11.69%	7,991	1,012	12.66%	1,028	0.985	11.81%	1.03%	1.02	11.99%
210034	MS Harbor	5,158	600	11.63%	596	1.006	12.07%	5,362	763	14.23%	692	1.103	13.23%	9.61%	1.01	13.31%
210035	UM-Charles	4,895	514	10.50%	615	0.836	10.03%	4,821	561	11.64%	674	0.832	9.98%	- 0.50%	1.18	11.80%
210037	UM-Easton	5,524	546	9.88%	596	0.917	11.00%	4,251	364	8.56%	496	0.734	8.80%	- 20.00%	1.06	9.29%
210038	UMMC Midtown	3,312	714	21.56%	549	1.302	15.61%	3,530	678	19.21%	584	1.160	13.92%	- 10.83%	1.01	14.12%
210039	Calvert	4,120	403	9.78%	507	0.796	9.54%	4,436	547	12.33%	605	0.904	10.85%	13.73%	1.11	12.04%
210040	Northwest	8,408	1,322	15.72%	1,234	1.072	12.85%	6,739	854	12.67%	1,061	0.805	9.65%	- 24.90%	1.02	9.84%
210043	UM-BWMC	12,978	1,883	14.51%	1,730	1.089	13.06%	13,499	1,731	12.82%	1,921	0.901	10.81%	- 17.23%	1.02	10.98%

Hospitals		CY2016 Base Period (YTD, Jan-Oct 2016)						CY2019 Performance Period (YTD, Jan-Oct 2019)								
A	B	C	D	E = D/C	F	G = D/F	H = D/F * 11.99%	I	J	K = J/I	L	M = J/L	N = J/L * 11.99%	O = N/H - 1	P	Q = N*P
CMS ID	Hospital Name	Eligible Disch	Readm	Percent Readm	Expected Readm	Readm Ratio	Case-mix Adj Readm Rate	Eligible Disch	Readm	Percent Readm	Expected Readm	Readm Ratio	Case-mix Adj Readm Rate	Change in Case-mix Adj Rate from CY2016 YTD	OOS Ratio (Oct 18-Sep 19)	Case-mix Adj Readm Rate, Adj for OOS
210044	GBMC	12,511	1,020	8.15%	1,132	0.901	10.81%	13,546	1,167	8.62%	1,324	0.882	10.58%	- 2.13%	1.02	10.75%
210045	McCready	223	28	12.56%	28	0.987	11.84%	109	12	11.01%	13	0.895	10.74%	- 9.29%	1.00	10.74%
210048	Howard	13,323	1,385	10.40%	1,437	0.964	11.56%	11,315	1,198	10.59%	1,340	0.894	10.72%	- 7.27%	1.02	10.89%
210049	UMUCH	8,908	993	11.15%	1,053	0.943	11.31%	8,085	947	11.71%	1,029	0.920	11.04%	- 2.39%	1.03	11.33%
210051	Doctors	7,760	1,127	14.52%	1,133	0.994	11.93%	8,180	916	11.20%	1,238	0.740	8.87%	- 25.65%	1.19	10.60%
210056	MS Good Sam	6,306	986	15.64%	948	1.040	12.47%	5,345	938	17.55%	876	1.071	12.85%	3.05%	1.01	12.93%
210057	Shady Grove	15,957	1,440	9.02%	1,650	0.873	10.47%	14,241	1,183	8.31%	1,503	0.787	9.44%	- 9.84%	1.05	9.93%
210058	UMROI	462	33	7.14%	36	0.917	11.00%	359	27	7.52%	31	0.860	10.31%	- 6.27%	1.00	10.31%
210060	Ft Wash	1,772	210	11.85%	256	0.820	9.83%	1,441	174	12.07%	220	0.791	9.49%	- 3.46%	1.42	13.46%
210061	Atlantic General	2,569	253	9.85%	348	0.728	8.73%	2,187	234	10.70%	305	0.768	9.21%	5.50%	1.10	10.14%
210062	MS Southern MD	8,153	1,007	12.35%	1,062	0.948	11.37%	8,266	911	11.02%	1,116	0.816	9.79%	- 13.90%	1.29	12.59%
210063	UM-St. Joe	12,031	1,136	9.44%	1,211	0.938	11.25%	10,969	1,040	9.48%	1,185	0.878	10.53%	- 6.40%	1.01	10.67%
210064	Levindale	946	141	14.90%	144	0.980	11.76%	809	101	12.48%	121	0.833	9.99%	- 15.05%	1.00	9.99%
210065	HC-Germantown	3,582	398	11.11%	420	0.948	11.37%	3,942	426	10.81%	470	0.906	10.87%	- 4.40%	1.06	11.52%

Appendix IV. Modeling of Benchmarking

Below please find slides presenting findings from the Benchmarking for readmissions project:

Medicare Benchmarking (Revised)

	Unadjusted Rates	2018 Readmissions Rate			2018 Readmissions per 1000	
		Maryland	Nation	Peer County BM ¹	Maryland	Peer County BM ¹
Performance	Overall (Per CMMI)	15.40%	15.45%			
	MD % Above (Below) National	(0.32%)				
	HSCRC Calculated (CCW)	15.47%		15.57%	38.2	39.8
	MD % Above (Below) Benchmark	(0.64%)			(4.07%)	
	Benchmark 25th Percentile (CCW)	15.47%		14.72%	38.2	34.1
	MD % Above (Below) Benchmark	5.11%			11.97%	
Opportunity	Benchmark if all MD counties were at or below benchmark average	15.47%		15.16%	38.2	37.1
	MD improvement opportunity	1.98%			2.83%	
	Benchmark if all MD counties were at or below benchmark 25th percentile	15.47%		14.53%	38.2	33.1
	MD improvement opportunity	6.07%			13.26%	

1. Benchmark reflects the straight average of each county's peer counties blended to a state average based on MD admits or beneficiaries

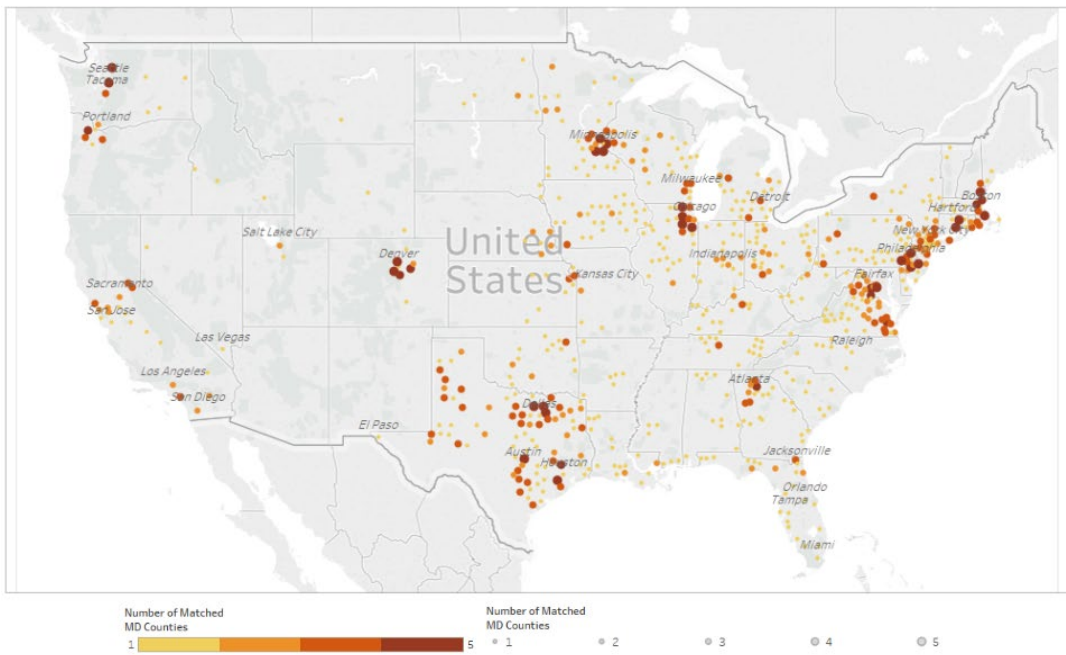
Commercial Benchmarking

	Unadjusted Rates	2017 Readmissions Rate			2017 Readmissions per 1000			
		MD MCDB	Nation ¹	Peer MSA BM ²	MD MCDB	MD CSHD	Nation ¹	Peer MSA BM ²
Performance	Overall (Casemix = 6.40%)	6.84%	6.82%	6.98%	2.48	2.64	2.91	3.17
	MD % Above (Below) Nation	0.23%			(14.82%)	(9.34%)		
	MD % Above (Below) Benchmark	(2.06%)			(21.71%)	(16.68%)		
	Benchmark 25th Percentile (CHSD)	6.84%	5.63%	6.53%	2.48	2.64	2.02	2.14
	MD % Above (Below) Benchmark	4.63%			15.93%	23.38%		
Opportunity	Benchmark if all MD MSAs were at or below benchmark average	6.84%		6.72%	2.48	2.64		2.49/ 2.58
	MD improvement opportunity	1.76%			(0.47%)	(2.40%)		
	Benchmark if all MD MSAs were at or below benchmark 25th percentile	6.84%		6.44%	2.48	2.64		2.14/ 2.11
	MD improvement opportunity	6.20%			16.93%	25.34%		

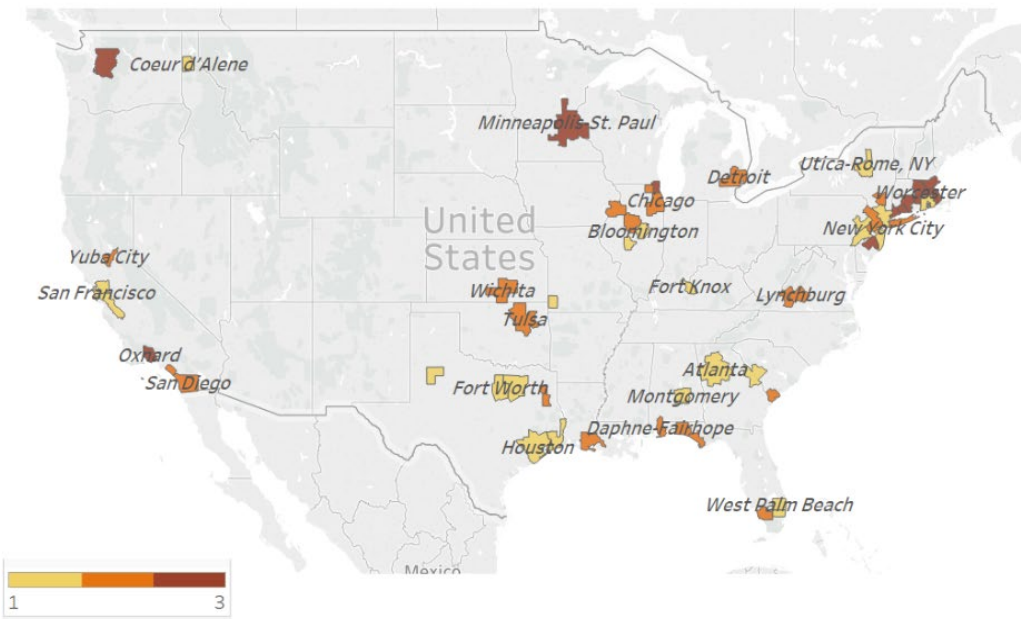
3 1. Nation reflects the total of the data in the CSHD and may not reflect an accurate balance of national experience
2. Benchmark reflects the straight average of each Modified MSA's peers blended using MCDB admissions or beneficiaries by modified MSA

Below please find maps illustrating the peer counties and peer MSAs for the Benchmarking for Readmissions project:

Medicare - Distribution of Peer Counties for All Maryland Counties



Commercial - Distribution of Peer MSAs



Appendix V. Modeling of Improvement - Attainment by-Hospital

Improvement Column
Improved to Greater than RY 2022 Proposed Target (-3.07%)
Improved to Greater than TCOC Five-Year Proposed Target (-7.5%)
Attainment Column
Achieved readmission rate lower than RY 2022 Proposed Target (65th Percentile, currently 11.23% - subject to change in v37)

CMS ID	Hospital Name	Observed Readm		Expected Readm		Case-Mix Adj Readm Rate		Current 12M Improvement	OOS Ratio	Oct18-Sep19 Attainment
		2017-10 to 2018-09	2018-10 to 2019-09	2017-10 to 2018-09	2018-10 to 2019-09	2017-10 to 2018-09	2018-10 to 2019-09			
210001	MERITUS MEDICAL CENTER	1513	1429	1555	1589	10.94%	10.11%	-7.57%	1.05	10.63%
210002	UNIVERSITY OF MARYLAND	3269	2927	2876	2740	12.78%	12.01%	-6.02%	1.04	12.50%
210003	UM-PRINCE GEORGE'S	1252	1106	1335	1216	10.54%	10.22%	-3.02%	1.20	12.23%
210004	HOLY CROSS HOSPITAL	1983	1987	1923	1975	11.59%	11.31%	-2.44%	1.09	12.27%
210005	FREDERICK	1556	1314	1669	1515	10.48%	9.75%	-6.97%	1.05	10.22%
210006	UM-HARFORD	533	467	556	507	10.78%	10.35%	-3.91%	1.04	10.72%
210008	MERCY MEDICAL CENTER	1120	1100	1026	1021	12.27%	12.11%	-1.30%	1.03	12.45%
210009	JOHNS HOPKINS HOSPITAL	5260	5182	4725	4689	12.51%	12.42%	-0.73%	1.07	13.28%
210010	UM- DORCHESTER	188	142	238	177	8.88%	9.02%	1.56%	1.06	9.52%
210011	ST. AGNES HOSPITAL	1570	1440	1566	1404	11.27%	11.53%	2.30%	1.01	11.59%
210012	SINAI HOSPITAL	1667	1453	1679	1541	11.16%	10.60%	-5.03%	1.01	10.71%
210013	BON SECOURS HOSPITAL	588	540	458	403	14.43%	15.06%	4.37%	1.01	15.25%
210015	MEDSTAR FRANKLIN SQ	2666	2354	2335	2230	12.83%	11.87%	-7.55%	1.01	11.94%
210016	WASHINGTON ADVENTIST	867	831	965	944	10.10%	9.89%	-2.02%	1.16	11.50%
210017	GARRETT COUNTY	122	83	213	177	6.44%	5.27%	-18.13%	1.68	8.83%
210018	MEDSTAR MONTGOMERY	724	619	739	667	11.01%	10.43%	-5.27%	1.07	11.17%
210019	PENINSULA REGIONAL	1643	1346	1730	1598	10.67%	9.47%	-11.31%	1.08	10.27%
210022	SUBURBAN HOSPITAL	1462	1359	1484	1457	11.07%	10.48%	-5.32%	1.11	11.62%
210023	ANNE ARUNDEL	2042	2250	2062	2215	11.13%	11.42%	2.58%	1.03	11.81%
210024	MEDSTAR UNION	1212	1220	1125	1146	12.11%	11.97%	-1.18%	1.01	12.12%
210027	WESTERN MARYLAND	1143	1115	1226	1213	10.48%	10.33%	-1.40%	1.14	11.82%

CMS ID	Hospital Name	Observed Readm		Expected Readm		Case-Mix Adj Readm Rate		Current 12M Improvement	OOS Ratio	Oct18-Sep19 Attainment
		2017-10 to 2018-09	2018-10 to 2019-09	2017-10 to 2018-09	2018-10 to 2019-09	2017-10 to 2018-09	2018-10 to 2019-09			
210028	MEDSTAR ST. MARY'S	615	613	633	666	10.92%	10.35%	-5.26%	1.17	12.09%
210029	JOHNS HOPKINS BAYVIEW	2374	2258	1943	1964	13.73%	12.92%	-5.90%	1.02	13.18%
210030	UM-SHORE CHESTERTOWN	93	49	131	89	7.98%	6.19%	-22.45%	1.16	7.19%
210032	UNION HOSPITAL OF CECIL	512	503	563	542	10.22%	10.43%	2.05%	1.22	12.78%
210033	CARROLL HOSPITAL	1115	1180	1090	1119	11.50%	11.85%	3.09%	1.02	12.04%
210034	MEDSTAR HARBOR	941	816	770	740	13.74%	12.39%	-9.77%	1.01	12.47%
210035	UM-CHARLES REGIONAL	653	656	729	720	10.07%	10.24%	1.72%	1.18	12.11%
210037	UM-SHORE EASTON	537	415	622	543	9.70%	8.59%	-11.48%	1.06	9.07%
210038	UMMC MIDTOWN	744	731	586	595	14.27%	13.81%	-3.23%	1.01	14.00%
210039	CALVERT HEALTH	540	620	608	640	9.98%	10.89%	9.07%	1.11	12.08%
210040	NORTHWEST	1311	1096	1307	1198	11.27%	10.28%	-8.79%	1.02	10.48%
210043	UM-BWMC	1804	2038	1838	2109	11.03%	10.86%	-1.55%	1.02	11.03%
210044	GBMC	1309	1433	1470	1495	10.01%	10.77%	7.64%	1.02	10.94%
210045	MCCREADY	19	13	21	15	10.17%	9.74%	-4.21%	1.00	9.74%
210048	HOWARD COUNTY	1363	1443	1431	1463	10.71%	11.09%	3.55%	1.02	11.27%
210049	UM-UPPER CHESAPEAKE	996	1119	1065	1149	10.51%	10.95%	4.14%	1.03	11.23%
210051	DOCTORS	1045	1103	1196	1340	9.82%	9.25%	-5.79%	1.19	11.05%
210056	MEDSTAR GOOD SAM	1062	1090	942	962	12.67%	12.74%	0.50%	1.01	12.81%
210057	SHADY GROVE ADVENTIST	1543	1433	1725	1648	10.05%	9.77%	-2.79%	1.05	10.28%
210058	UMROI	26	28	37	28	7.90%	11.24%	42.31%	1.00	11.24%
210060	FORT WASHINGTON	194	209	267	252	8.17%	9.32%	14.14%	1.42	13.23%
210061	ATLANTIC GENERAL	311	271	363	335	9.63%	9.09%	-5.58%	1.10	10.01%
210062	MEDSTAR SOUTHERN MD	945	1065	1132	1193	9.38%	10.03%	6.94%	1.29	12.91%
210063	UM-ST. JOSEPH	1257	1307	1353	1328	10.44%	11.06%	5.94%	1.01	11.21%
210064	LEVINDALE	144	112	144	140	11.24%	8.99%	-20.00%	1.00	8.99%
210065	HC-GERMANTOWN	462	509	440	518	11.80%	11.04%	-6.42%	1.06	11.71%

Appendix VI. Statistical Methodology for PAI and Disparity Gap Measure

The below includes a write-up of the methodology, written by Mathematica with edits by the HSCRC.

Overview

This document outlines the key steps required to calculate the Patient Adversity Index (PAI) and the hospital-level disparity gap, which are proposed to be used with the Readmissions Reduction Incentive Program (RRIP). Mathematica implemented this code in SAS, and results were validated and compared with the results HSCRC produced in STATA. The following information gives a summary of the major sections of the SAS program and how to use it.

The PAI is a metric that reflects the association of race, insurance source, and area socio-economic factors with the probability of readmission. As it is operationalized in this code, the PAI is the predicted probability of readmission, calculated for each inpatient record across the universe of eligible discharges. The disparity gap measures the difference in readmission rates between “low” and “high” PAI patients within each hospital. The remainder of this document provides additional details on how these calculations are performed.

Step 1: Data Cleaning

In the Step 1 section of the program, there are multiple input data checks and indicator variables set up to apply exclusions for year, readmission denominator, race, gender, and certain hospital identifiers. At the end of Step 1, the exclusions are applied and saved to a new temporary dataset, which gets used in Step 2.

Step 2: Calculate PAI and Other Model Covariates

At the beginning of the Step 2 section of the program, the Area Deprivation Index (ADI) variable is imputed with the mean value by zip code for any records with missing ADI information. Immediately following the imputation, the ADI variable is standardized so that it has a mean value of 0 and a standard deviation of 1.

In the next section of Step 2, new indicator variables are created that will be used in the PAI modeling step: `init_black` (black race indicator) and `init_med` (Medicaid coverage indicator). In development, HSCRC and Mathematica tested multiple specifications for Poisson models to estimate the association between readmissions and the key PAI input variables: black race indicator, Medicaid coverage indicator, and standardized ADI value. In one set of specifications, three separate models were run to estimate the association of each of the input variables with readmissions separately. In the second specification, all three input variables and their interaction terms are included in a single model to predict readmissions. This specification takes into account the likely correlation between the input variables, and also allows for a more

flexible way to estimate the association of these factors with readmission. For this reason, HSCRC decided to estimate PAI and later the disparity gap using the single, interacted model. PAI scores for selected combinations of race, Medicaid status and ADI are shown in Figure below.

Raw PAI score for combination of Medicaid status, race, and ADI value.

ADI	Medicaid	Black	Raw PAI Score
Mean	No	No	REFERENCE
Mean	Yes	No	2.52
Mean	No	Yes	1.48
Mean	Yes	Yes	3.72
Mean + 1SD	No	No	1.30
Mean + 1SD	Yes	No	3.36
Mean + 1SD	No	Yes	2.34
Mean + 1SD	Yes	Yes	4.53

The program calculates predicted values for each model specification, and then standardizes those values – these standardized values are the PAI estimates. As noted above, the PAI values from the single, interacted model are used in the remainder of the calculations.

In the remainder of Step 2, new variables are created which are used in the Step 3 Disparity Gap model. Three variables--soiRisk_cenTd, age_yrs_cenTd, sex_cenTd –are created by centering individual values around the mean of the original variable (severity of illness, age in years, and gender, respectively). PAI_Z_hospMean is the average PAI value at the hospital-level, and PAI_Z_hospCenTd is the individual PAI value centered around the hospital average.

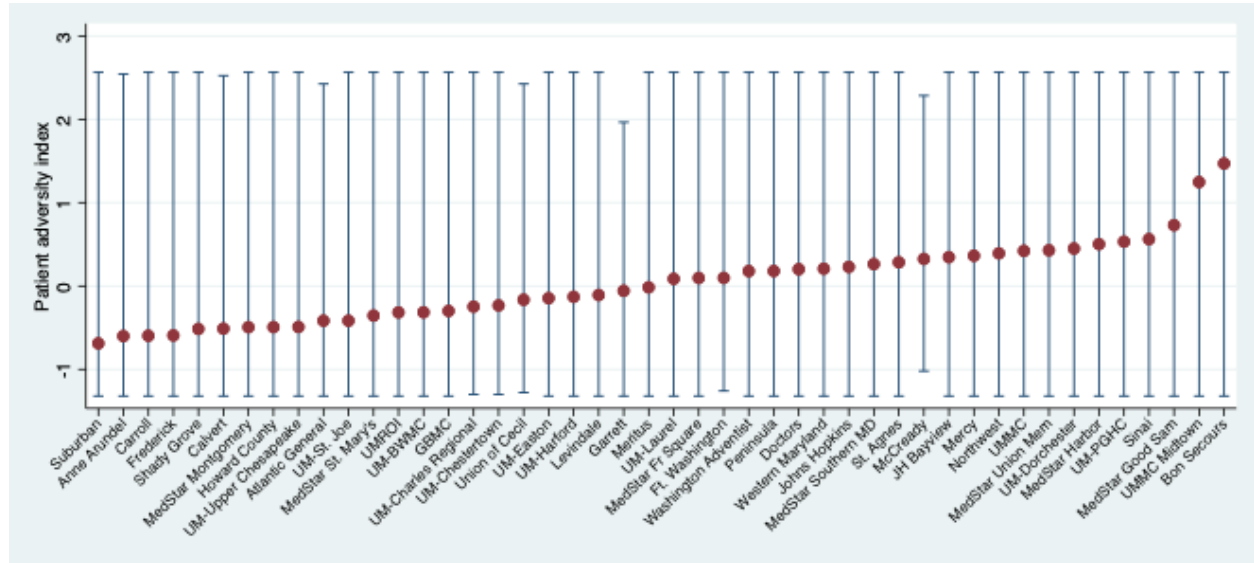
Step 3: Calculate Disparity Gap Measure

Step 3 starts out by limiting the dataset to discharges only for the year of interest (for instance, 2018). Using the limited dataset, a Poisson model is run with unplanned 30-day readmissions as the outcome and the centered variables created at the end of Step 2 as predictors. The model specification includes hospital-level fixed effects, and allows the relationship between PAI and readmissions to vary by hospital. The SAS procedure PROC GLIMMIX is used to calculate fixed effects and a random intercept and random slope for PAI_Z_hospCentered for each hospital. Using the fixed intercept, random slope, and random intercept to measure risk, the disparity gap is calculated as the slope characterizing the relationship between PAI and readmission risk at a given hospital. . For display purposes, the slope may be used to calculate readmission rates at one standard deviation above and below the hospital-specific mean value, along with a risk difference, which describes the gap between low- and high-PAI patients on the same scale as the readmission rate.

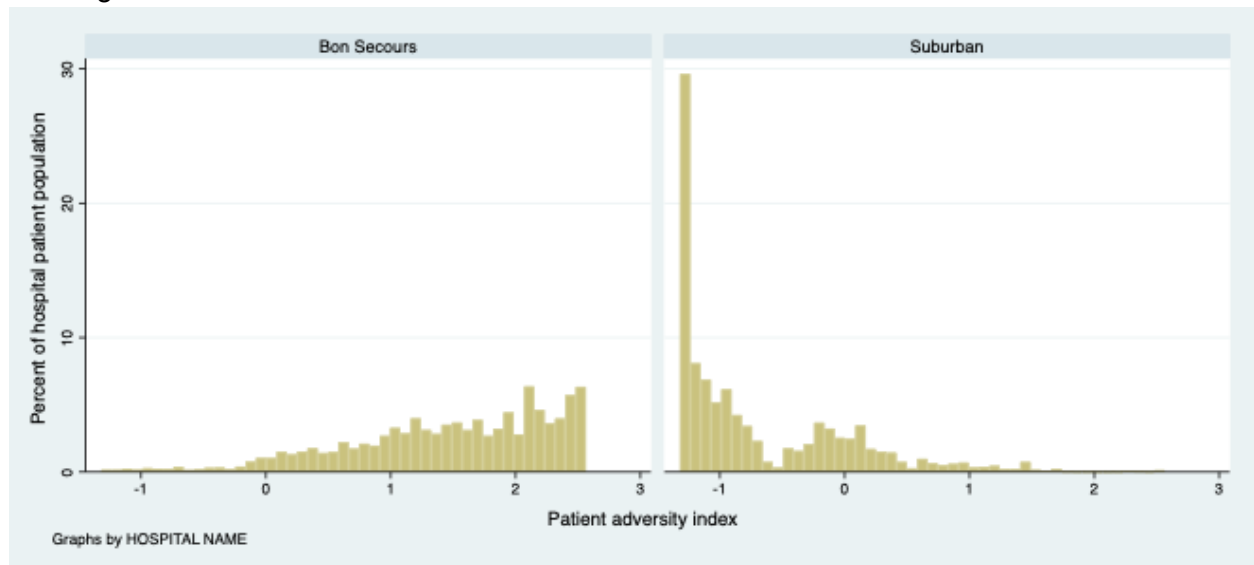
Appendix VII. Modeling of PAI and Disparity Gap

Below are several figures that provide preliminary modeling of the PAI and disparity gap measure.

Figure below shows the range of the Patient Adversity Index by hospital with the average PAI score indicated by the red dot. This illustrates that in general all hospitals see patients with both high and low PAI, although the average PAI for hospitals varies.



The figure below further shows that there is overlapping PAI distributions at two hospitals with differing mean PAI scores.



This table provides preliminary data on the mean PAI value and 2018 disparity gap metric. These values will be updated once policy is finalized and v37 grouper data is available.

Hospital ID	Hospital	Mean PAI	Base Year Disparity Gap
210001	Meritus	0.056	4.223
210002	UMMC	0.397	3.142
210003	UM-PGHC	0.508	2.424
210005	Frederick	-0.594	2.941
210006	UM-Harford	-0.091	3.614
210008	Mercy	0.315	2.962
210009	Johns Hopkins	0.203	2.672
210010	UM-Dorchester	0.493	2.848
210011	St. Agnes	0.268	3.153
210012	Sinai	0.508	2.452
210013	Bon Secours	1.398	3.616
210015	MedStar Fr Square	0.140	3.401
210016	Washington Adventist	0.222	1.959
210017	Garrett	0.066	1.995
210018	MedStar Montgomery	-0.492	4.107
210019	Peninsula	0.222	2.421
210022	Suburban	-0.707	3.381
210023	Anne Arundel	-0.622	3.519
210024	MedStar Union Mem	0.379	3.896
210027	Western Maryland	0.369	2.660
210028	MedStar St. Mary's	-0.333	3.982
210029	JH Bayview	0.386	3.691
210030	UM-Chestertown	-0.201	2.454
210032	Union of Cecil	-0.098	3.394
210033	Carroll	-0.583	4.707
210034	MedStar Harbor	0.529	3.578
210035	UM-Charles Regional	-0.250	2.863
210037	UM-Easton	-0.119	2.427
210038	UMMC Midtown	1.176	2.848
210039	Calvert	-0.499	2.629
210040	Northwest	0.359	3.447
210043	UM-BWMC	-0.296	2.925
210044	GBMC	-0.323	2.842
210045	McCready	0.460	3.042
210048	Howard County	-0.498	3.194
210049	UM-Upper Chesapeake	-0.488	3.340
210051	Doctors	0.170	2.287
210055	UM-Laurel	0.095	3.192
210056	MedStar Good Sam	0.668	2.609
210057	Shady Grove	-0.510	2.978
210058	UMROI	-0.352	2.628
210060	Ft. Washington	0.066	2.490
210061	Atlantic General	-0.399	2.551
210062	MedStar Southern MD	0.240	2.759
210063	UM-St. Joe	-0.431	2.945
210064	Levindale	-0.118	3.267

Maria Harris Tildon
Executive Vice President
Marketing, Communications & External Affairs

CareFirst BlueCross BlueShield
1501 S. Clinton Street, Suite 700
Baltimore, MD 21224-5744
Tel. 410-605-2591
Fax 410-505-2855

February 19, 2020

Nelson J. Sabatini, Chairman
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Dear Mr. Sabatini:

I write to provide CareFirst's comments on the HSCRC Staff's "Draft Recommendation for the Readmission Reduction Incentive Program for Rate Year 2022."

We continue to support the RRIP policy and Staff's recommended updates for RY 2022. We support the exclusion of discharges of patients who left against medical advice and the inclusion of oncology discharges based on the NQF logic. We appreciate the benchmarking analysis performed by Staff to evaluate the progress and current state of Maryland with respect to readmission measurement. We support the improvement target of a 7.5% reduction from 2018 levels over a five-year period.

We applaud the Staff for incorporating a health equity measure with the new disparity element of the RRIP. We recognize that the measurement of Patient Adversity Index will need to be closely monitored, along with the possible unintended consequences of this measure. We also acknowledge that because it is new, the associated rewards or penalties should remain low; however, we urge Staff as this evolves to track the appropriateness of the at-risk dollars.

CareFirst would support the incorporation of Medicare's Excess Days in Acute Care measure on an all-payer basis. Staff's analysis determined Maryland performs worse than the nation on this measure for acute myocardial infarction, heart failure, and pneumonia. With Maryland's significant usage of observation, this would be an appropriate way to update the methodology to consider reducing revisits.

Thank you for this opportunity to comment on the Readmission Reduction Incentive Program for Rate Year 2022. We support the goals of this program and hope the HSCRC can continue to foster reductions in readmission and revisits moving forward.

Sincerely,



Maria Harris Tildon

Cc: Joseph Antos, Ph.D., Vice Chairman
Victoria Bayless
Stacia Cohen
John Colmers
James N. Elliott, M.D.
Adam Kane
Katie Wunderlich, Executive Director
Chris Peterson, Acting Executive Director



Maryland
Hospital Association

February 19, 2020

Alyson Schuster, Ph.D.
Deputy Director, Quality Methodologies
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Dear Dr. Schuster:

On behalf of the Maryland Hospital Association's 60 member hospitals and health systems, we appreciate the opportunity to comment on the Health Services Cost Review Commission's (HSCRC's) *Draft Recommendation for the Readmissions Reduction Incentive Program for Rate Year 2022*.

While we support most of the staff's recommendations, we have significant concerns about including a disparity measure in payment policy until it can be further evaluated. Similarly, we oppose including a specific disparity reduction target in the Statewide Integrated Health Improvement Strategy (SIHIS). We appreciate the importance of addressing racial and socioeconomic disparities in health outcomes and commend HSCRC staff for their considerable work to create this measure. More time is needed to adequately understand the levers that lessen disparities and how much improvement in the disparity gap represents meaningful change.

It is premature to include a specific disparity reduction target in the SIHIS. SIHIS measures and changes to measures must be mutually approved by Maryland and the Centers for Medicare & Medicaid Services (CMS). CMS will evaluate Maryland's performance on SIHIS measures when considering whether the Total Cost of Care Model should be permanent. The future of the Maryland Model is too much to risk when so much is unknown about what it takes to meaningfully reduce disparities. Further complicating the adoption of this measure and any expected rate of improvement, is the lack of data that can help quantify the projected impact of interventions. We recommend monitoring this measure for at least a year to better determine a meaningful percent of improvement and whether an additional incentive would speed the rate of improvement.

The five-year, 7.5% statewide improvement target appears to be reasonable based on staff's modeling and benchmarking. However, statewide improvement will not be evenly distributed across hospitals. Some hospitals had very low rates for several years, and it would be unfair to penalize them. Therefore, in setting the attainment target, the threshold percentile to begin earning rewards may need to be eased.

We support staff's other recommendations, including continuing to measure attainment and improvement, to exclude patients who left "against medical advice," and to include select oncology discharges using the NQF-adapted logic. We recommend evaluating the new oncology provision

after one year to ensure there are no unintended consequences impacting hospitals' readmissions performance.

Readmissions are a key indicator of success in hospitals' commitment to patients post-discharge and in managing chronic conditions cost-effectively. It's well recognized that social determinants of health affect readmissions rates, and this is not adequately accounted for in the Maryland or national policy. The commission's plan to continue to modernize and revise the policy is important and necessary.

We look forward to continuing to work with the commission on the readmissions policy for performance year 2020 and beyond.

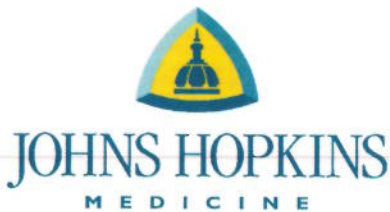
Sincerely,



Traci La Valle
Senior Vice President, Quality & Health Improvement

cc: Nelson J. Sabatini, Chairman
Joseph Antos, Ph.D., Vice Chairman
Victoria W. Bayless
Stacia Cohen
John M. Colmers

James N. Elliott, M.D.
Adam Kane
Chris Peterson, Interim Executive Director
Dianne Feeney, Assoc. Director, Quality Initiatives
Allan Pack, Dir., Population-Based Methodologies



February 19, 2020

Alyson Schuster, Ph.D.
Deputy Director, Quality Methodologies
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Dear Dr. Schuster,

On behalf of the Johns Hopkins Health System (JHHS), thank you for the opportunity to provide input on the draft recommendation for the Readmission Reduction Incentive Program for Rate Year 2022. JHHS supports most of the recommendations proposed by staff, but also appreciates the opportunity to raise questions regarding the improvement target and disparity measure.

As presented in the draft recommendation, the five-year, 7.5% statewide improvement target seems rational based on staff's modeling and benchmarking. However, considering the extensive progress Maryland hospitals have made to date in reducing readmissions, the rate of reduction in readmissions may not continue on the same trajectory. As noted in the draft recommendation, stakeholders expressed concerns that the remaining readmissions are "less preventable." The draft recommendation also "reserves the right to revisit and revise should the target prove too aggressive...." The five year reduction target appears reasonable so long as staff maintain their commitment to monitor and revisit this target if it is too aggressive. Additional monitoring of this target should be pursued to ensure that 1) hospitals that demonstrate continued efforts and progress in meeting the readmission targets are not negatively impacted and 2) readmissions as a performance target continues to be assessed for validity and impact on patient care.

The disparity measurement, Patient Adversity Index (PAI), demonstrates progress in recognizing the socioeconomic risk amongst varying patient populations in a payer-agnostic fashion. Considering that the PAI is a new and relatively untested measurement, JHHS appreciates staff's recommendation to make this a reward only metric at this time. Over the past several years, JHHS hospitals have implemented our care management and transition efforts aimed at reducing readmissions in a payer agnostic way. It is our hope that the approach to the disparity measurement could be refined to recognize the efforts some hospitals have already deployed to reduce the

disparity gap. Ideally the disparity measurement would either reward past progress already achieved, or recognize improvement. Additionally, since the goal is to achieve a statewide reduction in disparities in readmissions, JHHS believes that the HSCRC should explore opportunities for hospitals to share best practices in achieving this goal.

JHHS appreciates that the Excess Days in Acute Care measure is still under consideration, and strongly encourages ongoing dialogue and evaluation. The validity of this measure and the factors that contribute to emergency department and observation revisits must be fully understood before any metric moves forward.

HSCRC staff, the RRIP subgroup and the Performance Measurement Workgroup should be applauded for their ongoing commitment and dedication to evaluating and revising the RRIP. Achieving a balance between stable and predictable metrics that are also evidence based and patient centered is challenging work. JHHS looks forward to ongoing engagement with the HSCRC to ensure that the RRIP continues to progress as a measurement that improves patient care and reduces costs.

Sincerely,



Nicki Sandusky McCann
Vice President, Provider/Payer Transformation
Johns Hopkins Health System

cc: Nelson J. Sabatini, Chairman
Joseph Antos, Ph.D., Vice Chairman
Victoria W. Bayless
Stacia Cohen, RN

John M. Colmers
James Elliott, MD
Adam Kane
Katie Wunderlich



Monitoring Maryland Performance Medicare Fee-for-Service (FFS)

Data through November 2019– Claims paid through January 2020

Source: CMMI Monthly Data Set

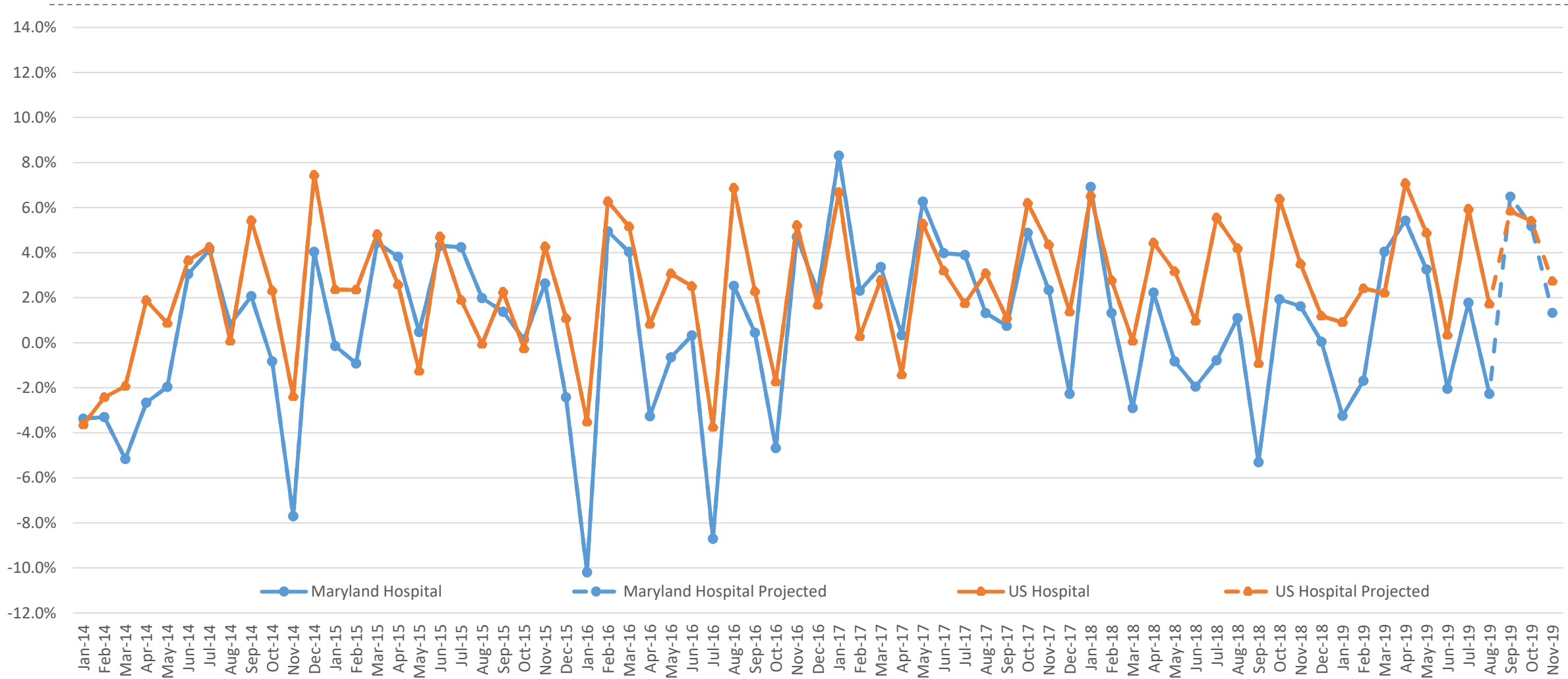


Disclaimer:

Data contained in this presentation represent analyses prepared by HSCRC staff based on data summaries provided by the Federal Government. The intent is to provide early indications of the spending trends in Maryland for Medicare FFS patients, relative to national trends. HSCRC staff has added some projections to the summaries. This data has not yet been audited or verified. Claims lag times may change, making the comparisons inaccurate. ICD-10 implementation and EMR conversion could have an impact on claims lags. These analyses should be used with caution and do not represent official guidance on performance or spending trends. These analyses may not be quoted until public release.

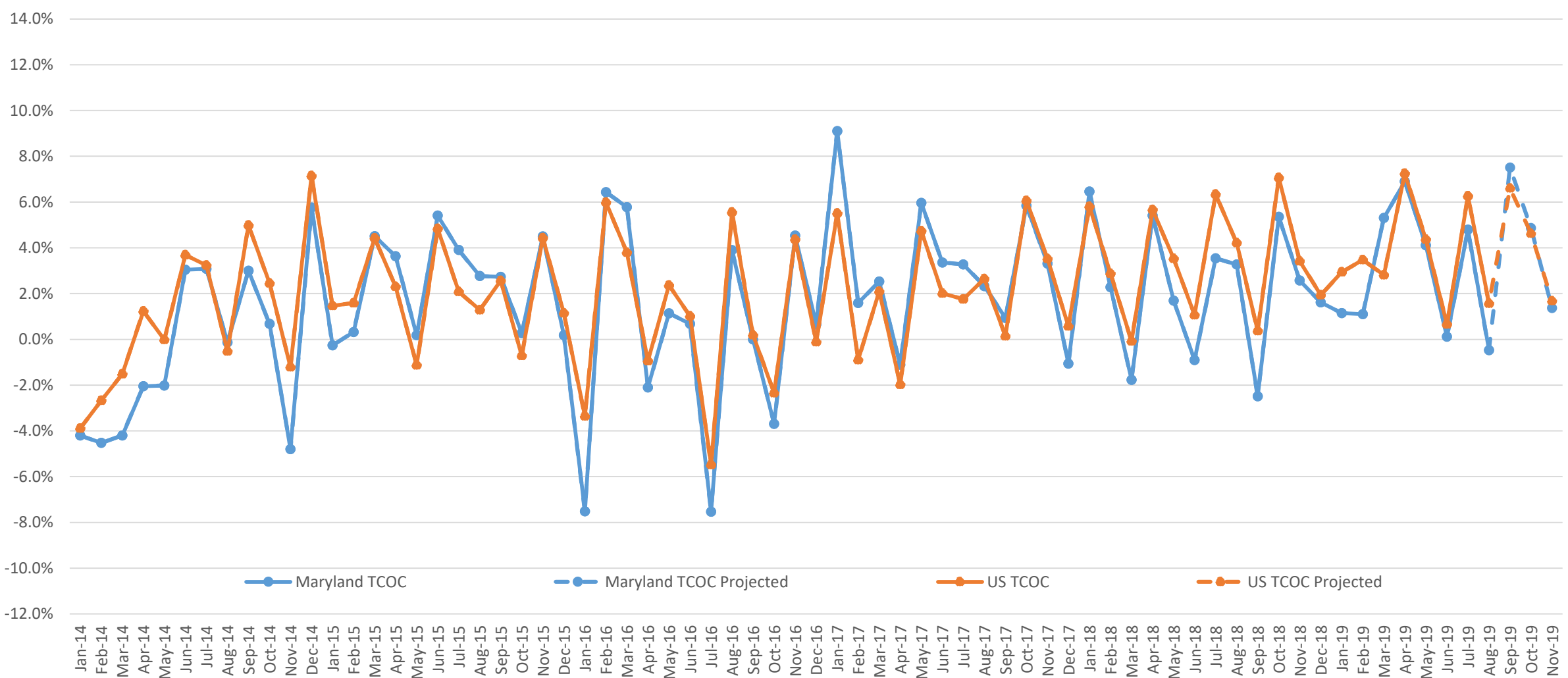
Medicare Hospital Spending per Capita

Actual Growth Trend (CY month vs. prior CY month)



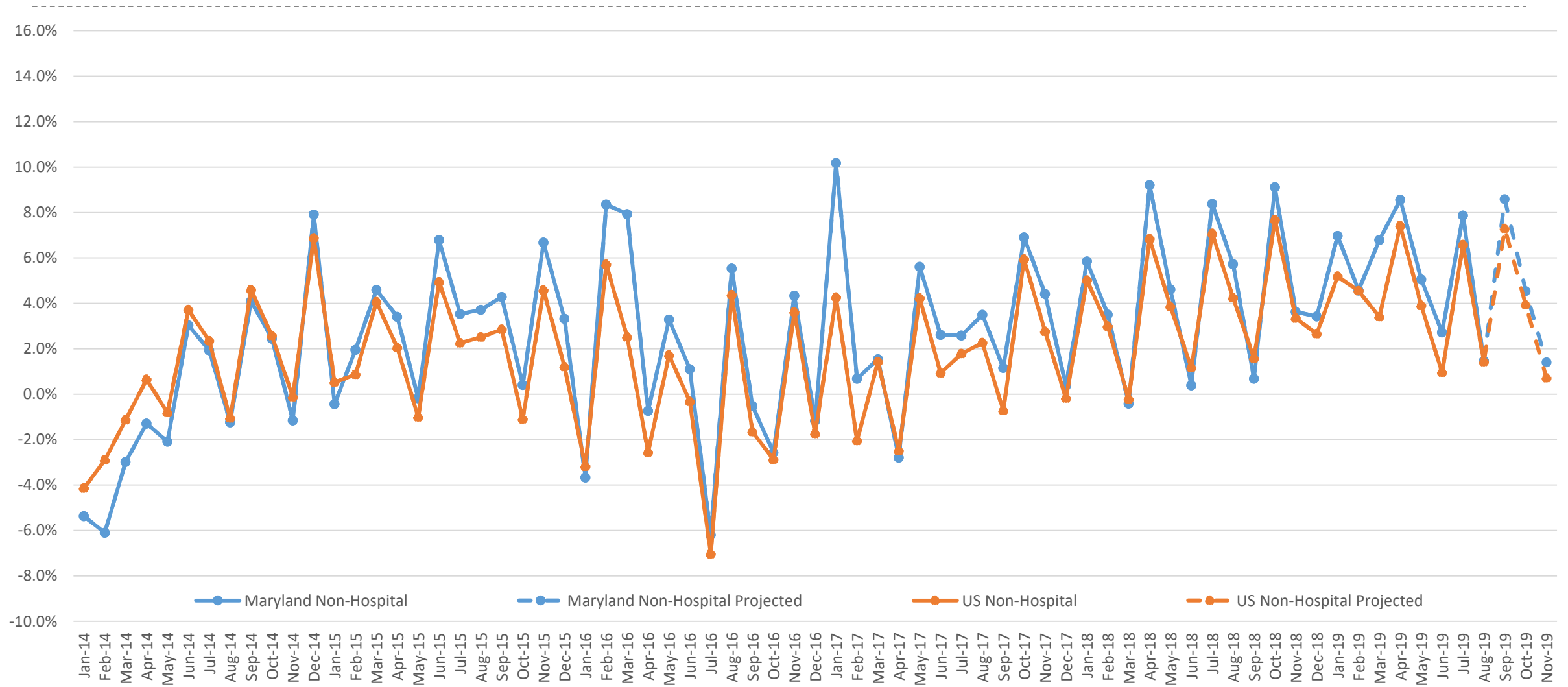
Medicare Total Cost of Care Spending per Capita

Actual Growth Trend (CY month vs. prior CY month)

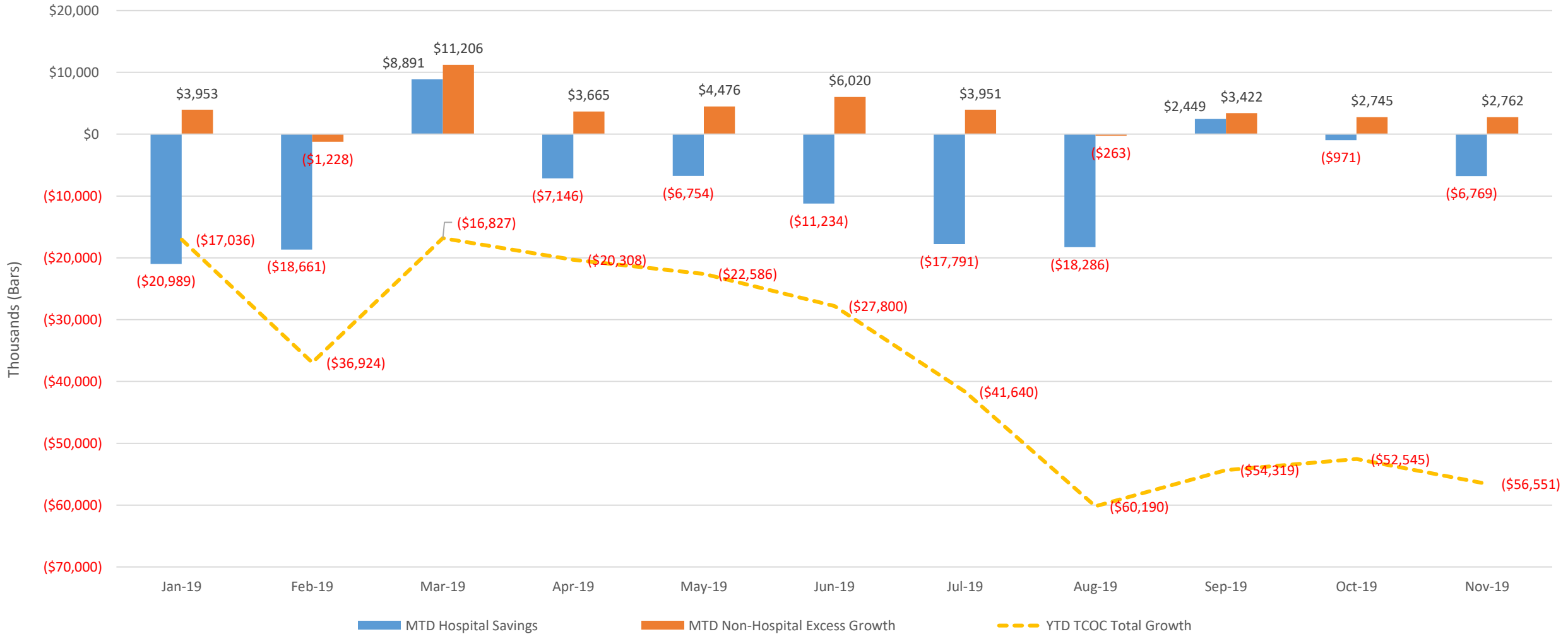


Medicare Non-Hospital Spending per Capita

Actual Growth Trend (CY month vs. prior CY month)



Maryland Medicare Hospital & Non-Hospital Growth





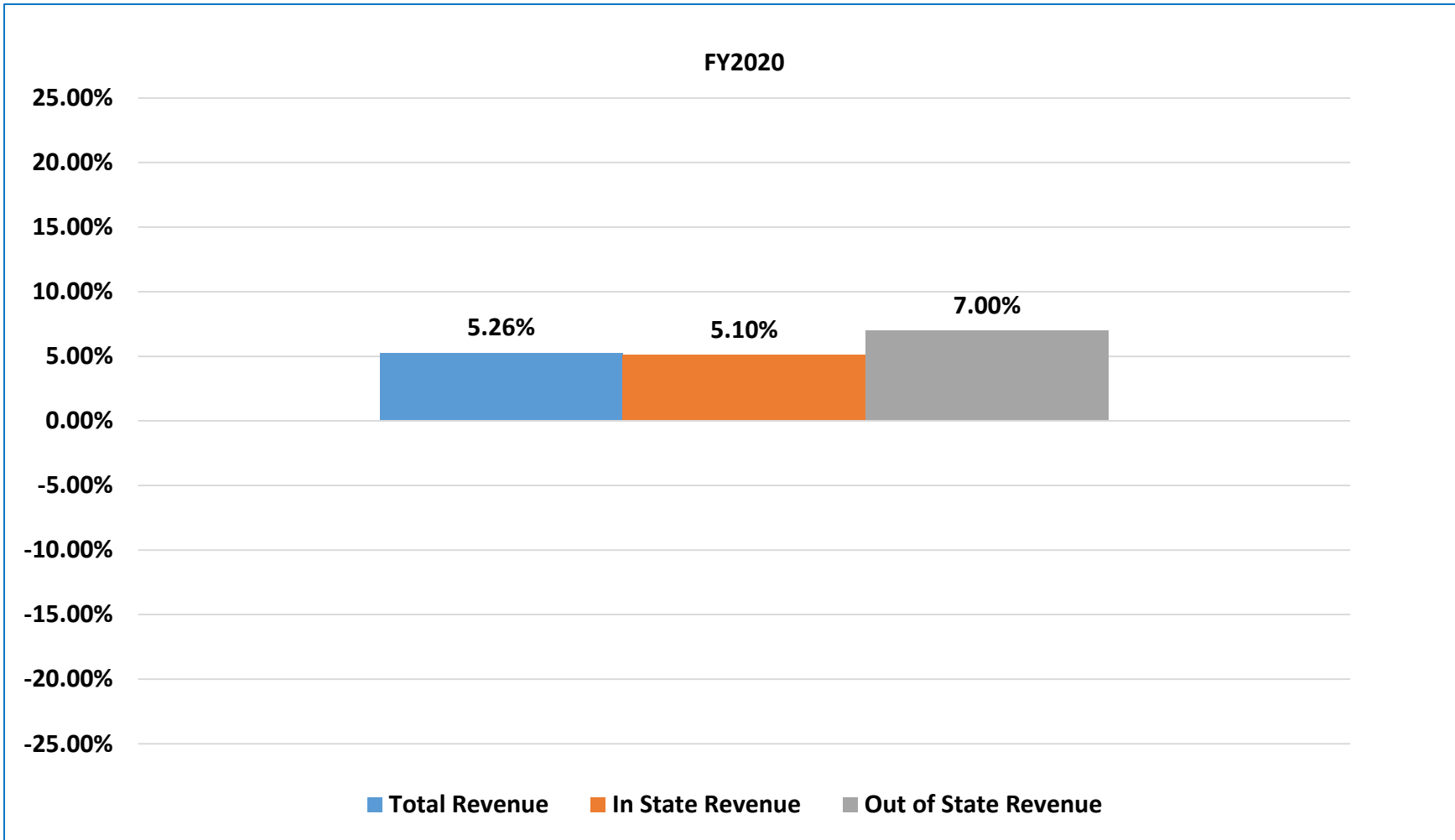
Monitoring Maryland Performance Financial Data

Fiscal Year and Calendar Year to Date through January 2020

Source: Hospital Monthly Volume and Revenue
Run: March 5, 2020

Gross All Payer Hospital Revenue Growth

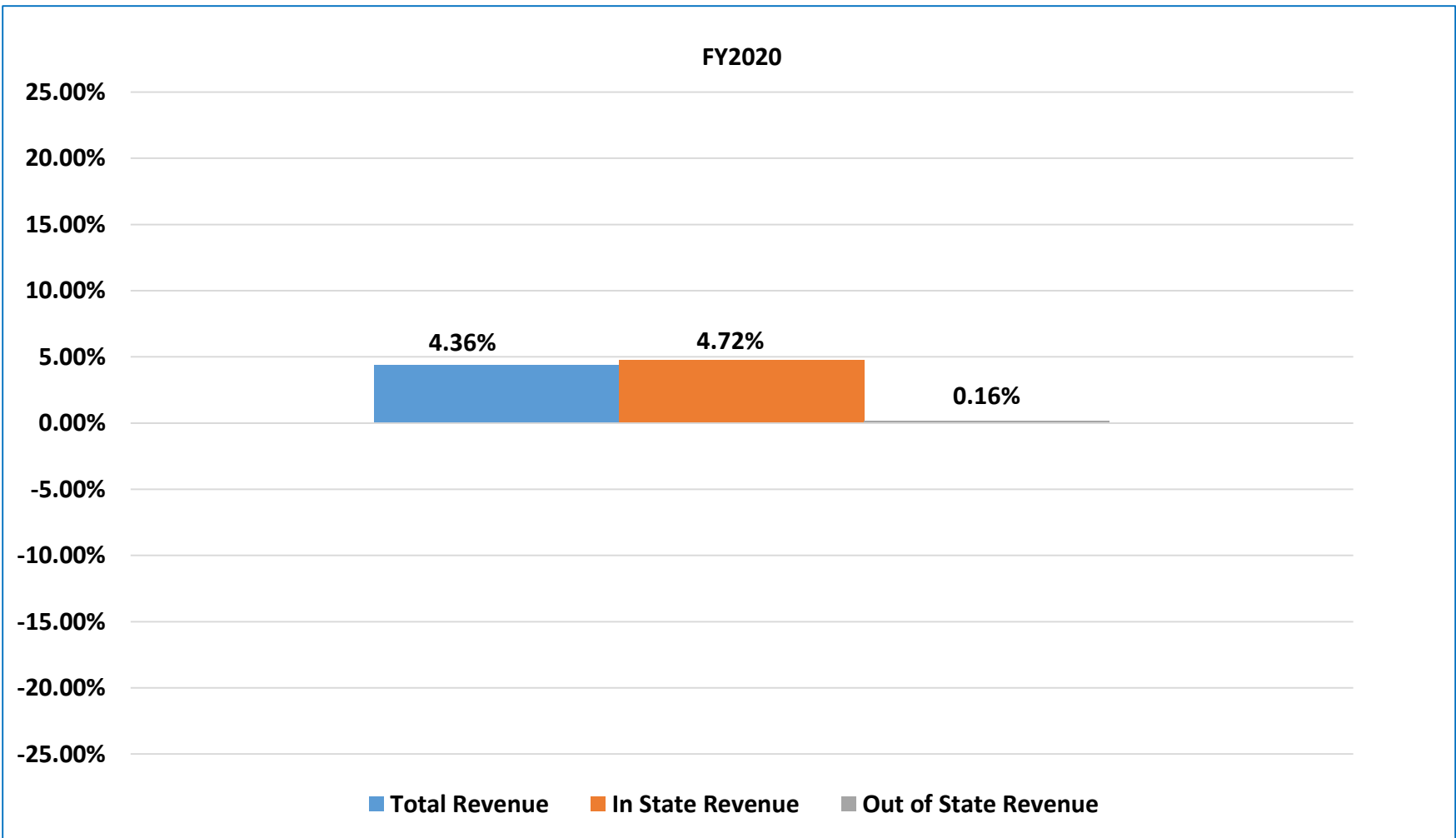
FYTD (Current FYTD over Prior FYTD)



The State's Fiscal Year begins July 1

Gross Medicare Fee for Service Hospital Revenue Growth

FYTD (Current FYTD over Prior FYTD)

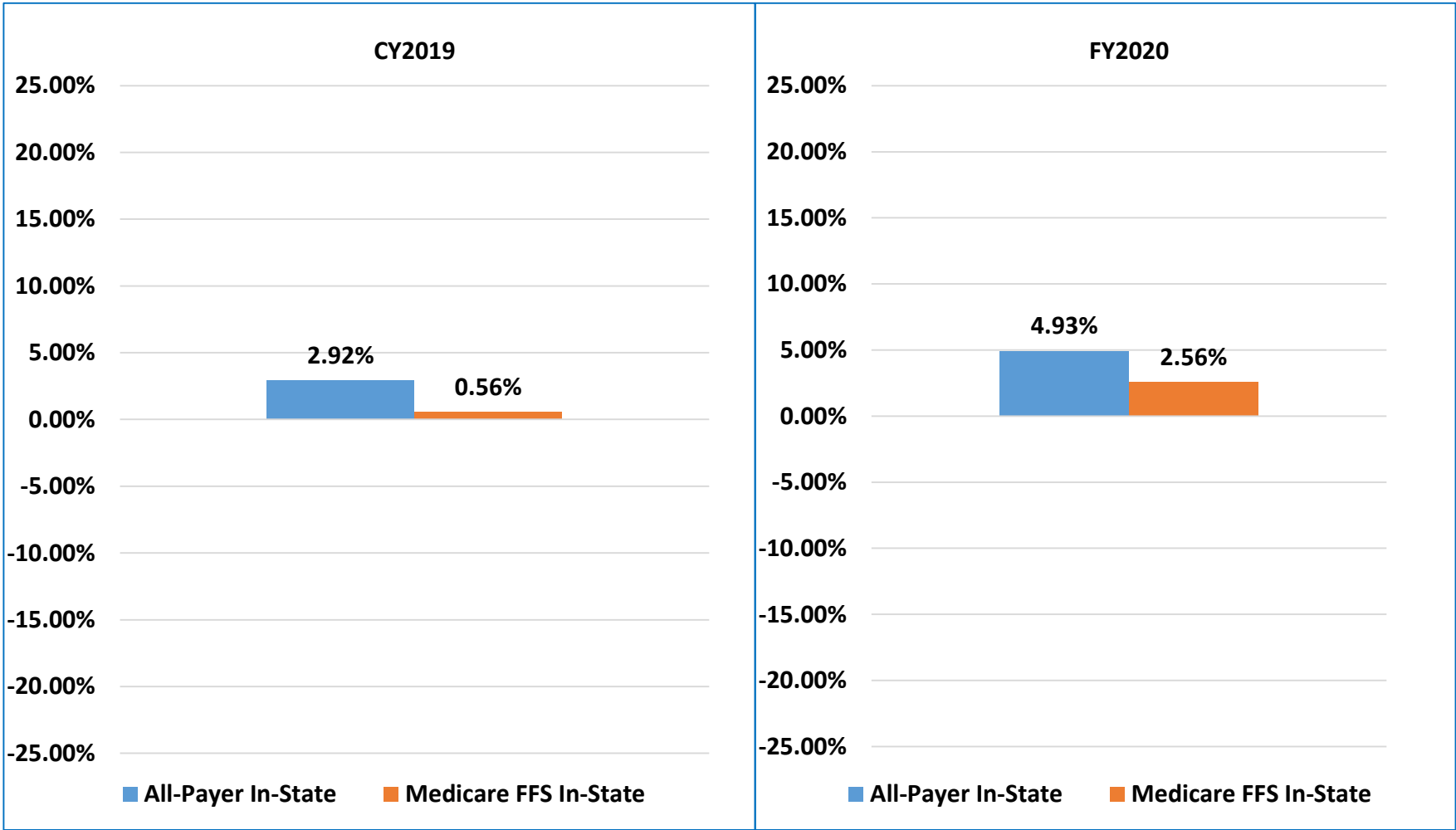


The State's Fiscal Year begins July 1

Hospital Revenue Per Capita Growth Rates

CY2019 (Revisions through February 2020)

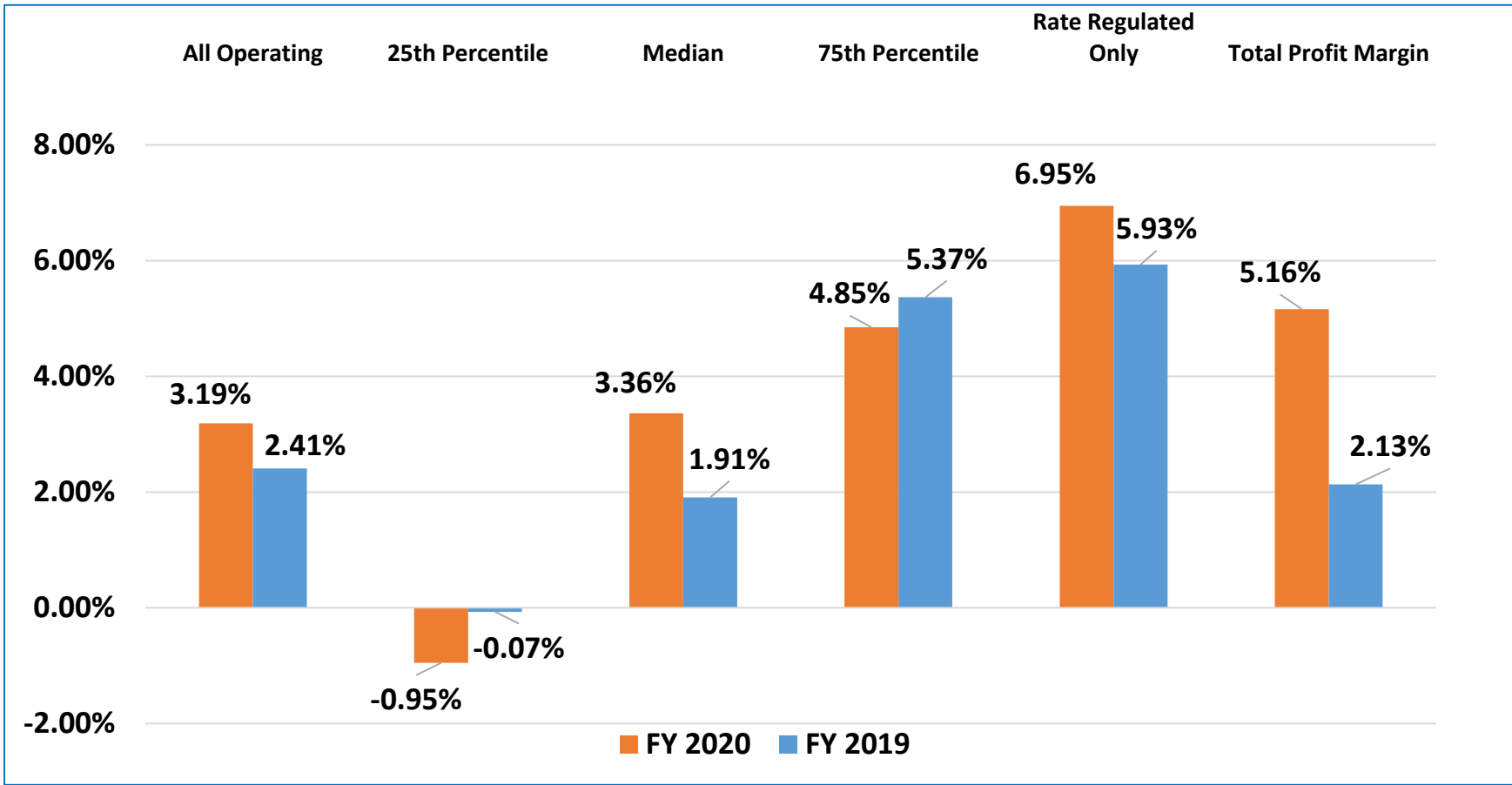
FY2020 (Current FYTD over Prior FYTD)



The State's Fiscal Year begins July 1

Hospital Total Operating, Regulated and Total Profits

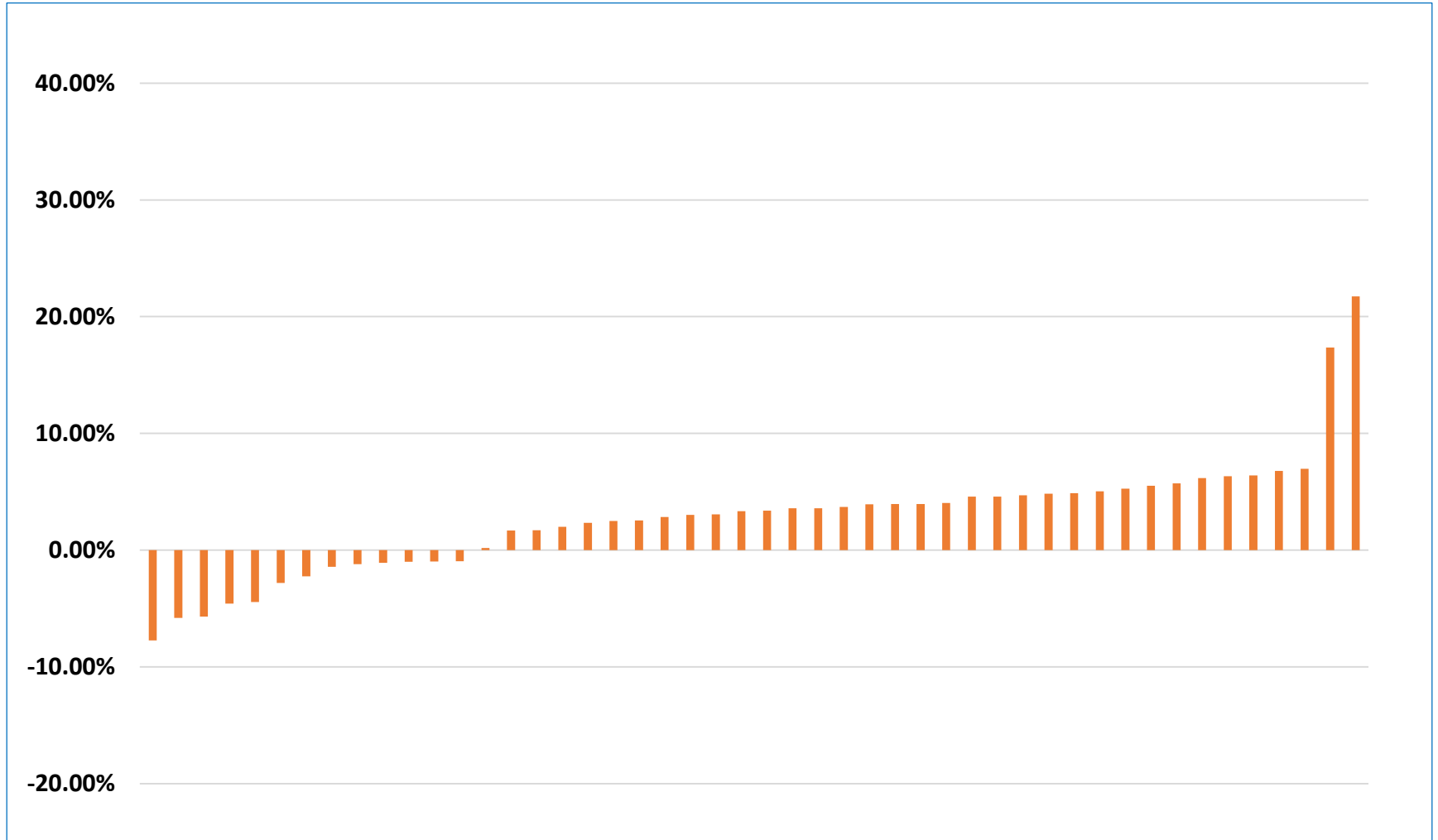
Fiscal Year 2020 (July 2019 – January 2020) Compared to Fiscal Year 2019 (July 2018 – January 2020)



FY 2020 unaudited hospital operating profits show an increase of 0.78 percentage points compared to FY 2019. Rate regulated profits for FY 2020 have increased by 1.02 percentage points compared to FY 2019. **** Note – Laurel Regional is not included in either fiscal year due to its change in status to freestanding medical facility .**

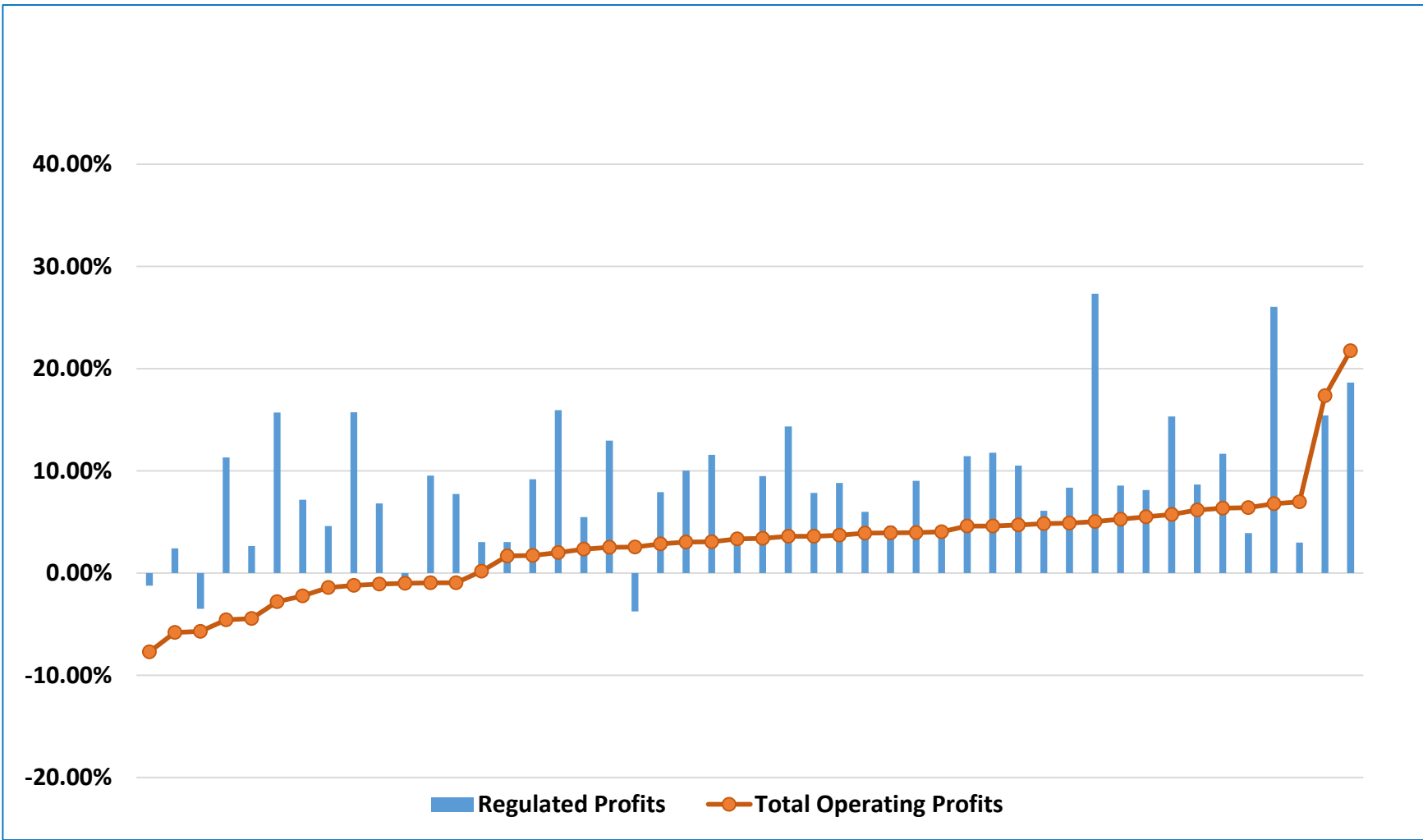
Total Operating Profits by Hospital

Fiscal Year 2020 (July 2019 – January 2020)



Regulated and Total Operating Profits by Hospital

Fiscal Year 2020 (July 2019 – January 2020)



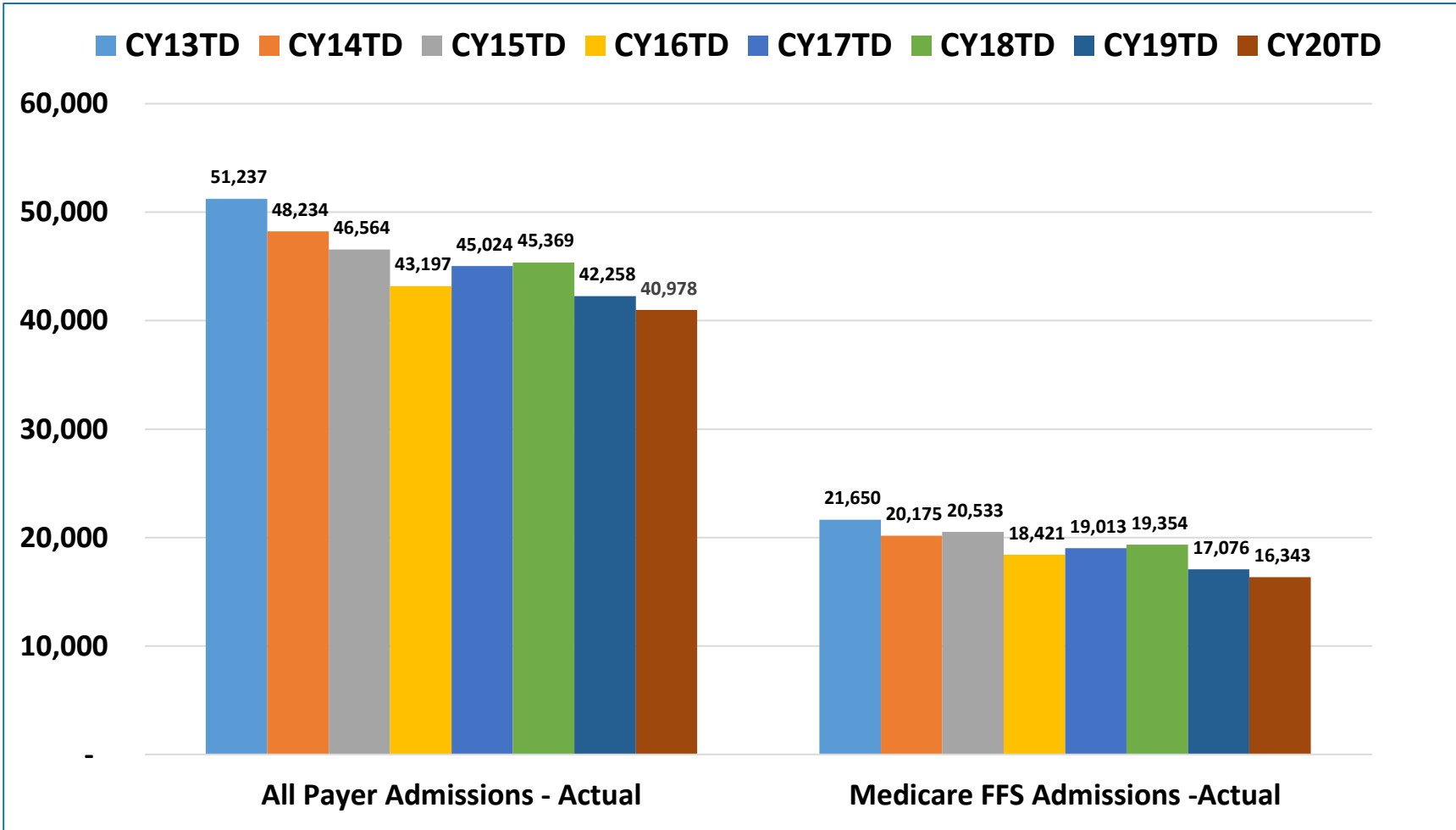
Monitoring Maryland Performance Financial/Utilization Data

Calendar Year to Date through January 2020

Source: Hospital Monthly Volume and Revenue Data

Actual Admissions by Calendar YTD – January

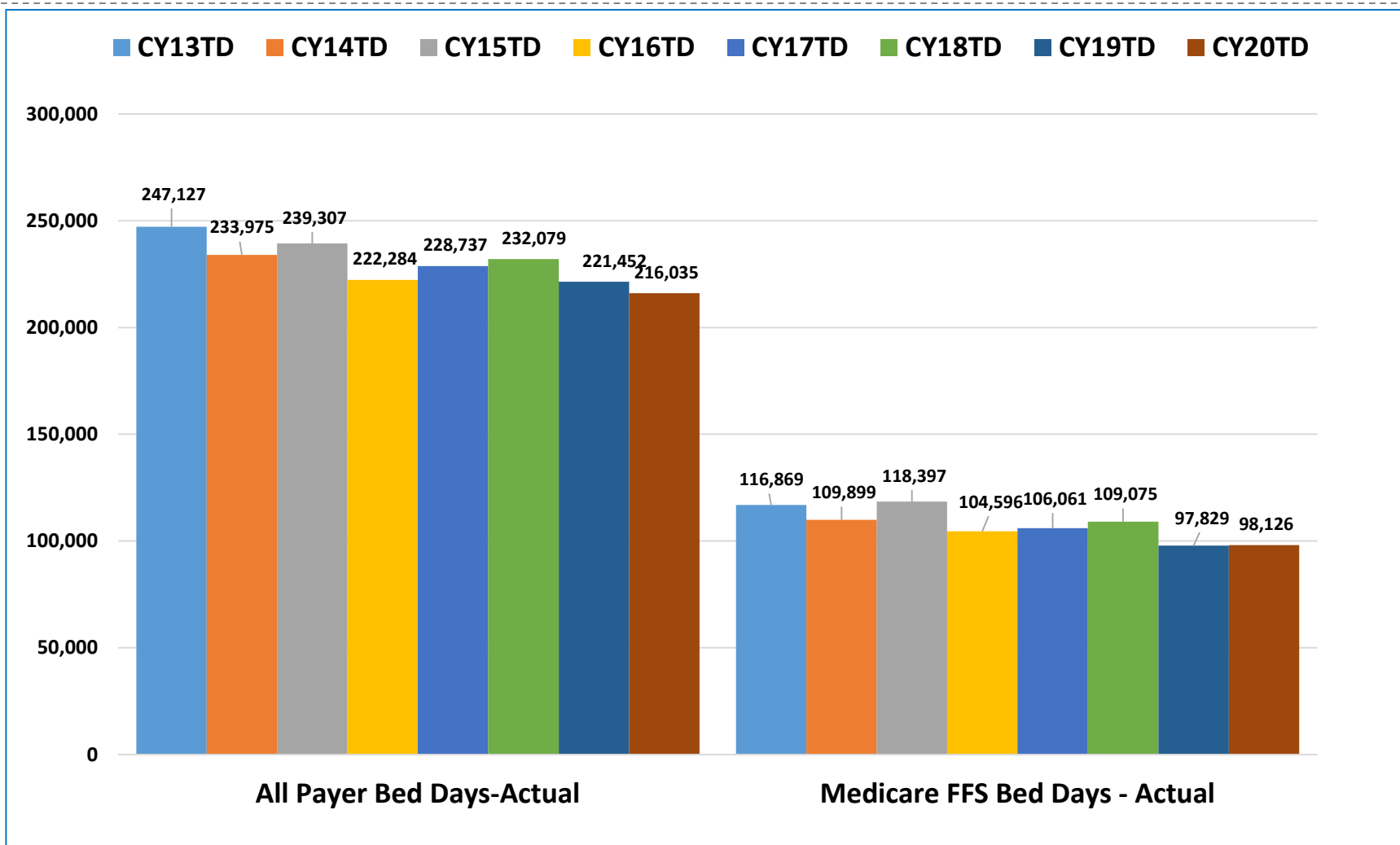
(CY 2013 through CY 2020)



Note - The admissions do not include out of state migration or specialty psych and rehab hospitals.

Actual Bed Days by Calendar YTD January

(CY 2013 through CY 2020)



Note - The bed days do not include out of state migration or specialty psych and rehab hospitals.

Purpose of Monitoring Maryland Performance

Evaluate Maryland's performance against Total Cost of Care Model Requirements:

- **All-Payer total hospital per capita revenue growth ceiling** for Maryland residents tied to long term state economic growth (GSP)
- **Medicare payment savings** for Maryland beneficiaries compared to dynamic national trend. Maryland's Growth in total expenditures for hospital and non-hospital services for Medicare's fee-for-service beneficiaries must reach a savings level of \$300 million annually relative to the national growth rate by the end of 2023. The Maryland hospital costs represent approximately half of the Medicare total expenditures for Maryland residents.

Data Caveats

- Data revisions are expected.
- For financial data if residency is unknown, hospitals report these patients as Maryland residents. As more data becomes available, there may be shifts from Maryland to out-of-state.
- Many hospitals are converting revenue systems along with implementation of Electronic Health Records. This may cause some instability in the accuracy of reported data. As a result, HSCRC staff will monitor total revenue as well as the split of in state and out of state revenues.



Monitoring Maryland Performance Quality Data

March 2020 Commission Meeting Update

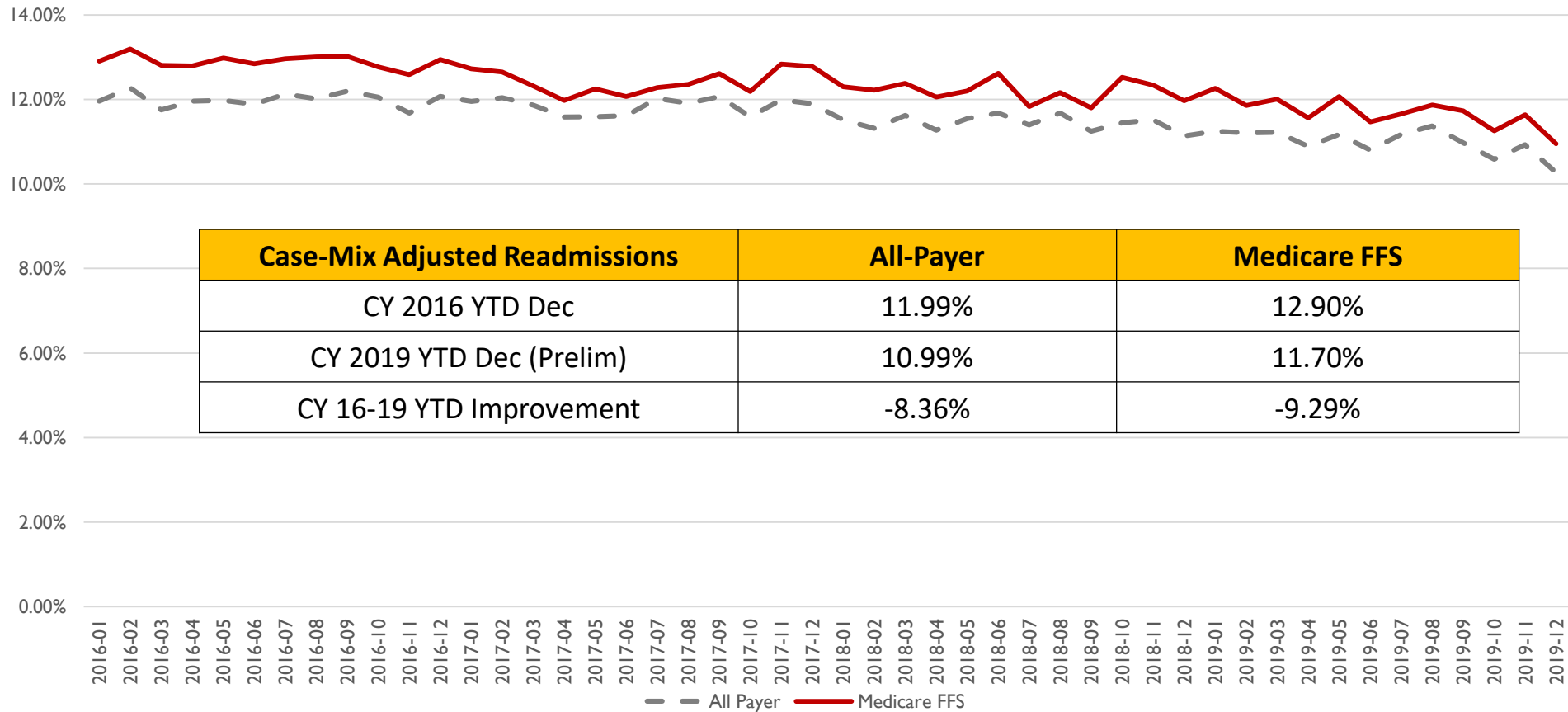


HSCRC

Health Services Cost
Review Commission

Readmission Reduction Analysis

Monthly Case-Mix Adjusted Readmission Rates



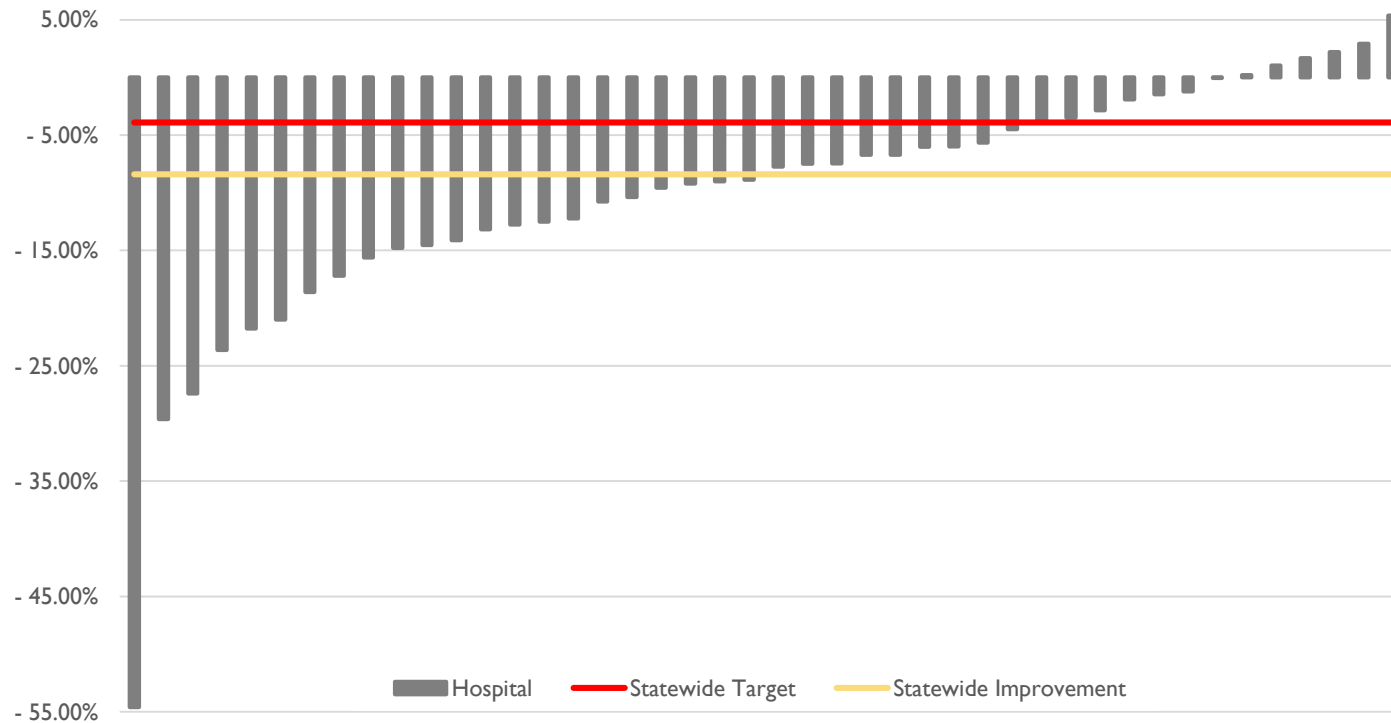
Case-Mix Adjusted Readmissions	All-Payer	Medicare FFS
CY 2016 YTD Dec	11.99%	12.90%
CY 2019 YTD Dec (Prelim)	10.99%	11.70%
CY 16-19 YTD Improvement	-8.36%	-9.29%

Note: Based on final data for Jan 2016 – Sep 2019; Preliminary data through Jan 2020. Statewide improvement to-date in RY 2021 is CY 2019 YTD compared to the same timeframe in CY 2016.

Change in All-Payer Case-Mix Adjusted Readmission Rates by Hospital

Improvement (or Change) CY 2016YTD compared to CY 2019YTD through December

RY2021 RRIPYTD Improvement, Jan-Dec 2019



31 Hospitals are on Track for Achieving Improvement Goal

An Additional 3 Hospitals on Track for Achieving Attainment Goal

Note: Based on Final data through September 2019; Preliminary data through Jan 2020.



Legislative Update

March 11, 2020

Overview of Staff Activity with General Assembly

- ▶ HSCRC Staff has continued to actively engage with key committees and leadership in the General Assembly
- ▶ Staff submitted written testimony for multiple bills that involve:
 - ▶ Implications to the Total Cost of Care Model
 - ▶ Hospitals procedures and reporting
 - ▶ The HSCRC's role as a regulatory agency
- ▶ Staff provided verbal testimony at key bill hearings:
 - ▶ Community Benefits
 - ▶ Facility Fees
 - ▶ Hospital Workers Retraining

HSCRC Departmental Legislation

- ▶ **Health Services Cost Review Commission – Duties and Reports – Revisions**
 - ▶ SB42 Purpose: To conform HSCRC statute and reports for the General Assembly with requirements of the TCOC Model

 - ▶ Accepted amendments:
 - ▶ Clarification on language about the calculation of the revenue growth target rate
 - ▶ Requirement to provide reporting to General Assembly that aligns with reporting to CMMI including new reporting on hospital/community partnership activities and quality performance

 - ▶ Status:
 - ▶ Senate: Passed
 - ▶ House: Awaiting hearing

Priority Bill Tracking

Bill Topic	Bill #	Description	Action Taken
Hospital Workers Retraining Fund	SB938 HBI571	Requires hospitals to annually pay into a fund that helps pay to retrain workers that have been displaced as a result of hospital downsizing of any type. Keeps rate setting authority for worker retraining funding in cases of closures of any type.	Letter of Support
Community Benefits	HBI169 SB774	Forms an HSCRC workgroup to develop recommendations on improving reporting on Community Benefits in order to better measure spending on needs identified in the Community Health Needs Assessments.	Letter of Support with Amendments
Facility Fees	HB915 SB632	Focuses on transparency in billing and requires hospitals to disclose to consumers an estimate of facility fees and alternatives to receive lower cost services. Requires HSCRC, in collaboration with HEAU to determine a range of fees and fee estimates to be provided to consumers.	Letter of Support with Amendments
Loan Assistance Repayment Program	SB501 HB998	Transfers oversight of the Maryland Loan Assistance Repayment Program for Physicians and Physician Assistants from the Office of Student Financial Assistance within the Maryland Higher Education Commission to the Maryland Department of Health. Requires the rate-setting system to fund LARP.	Letter of Support with Amendments

Priority Bill Tracking

Bill Topic	Bill #	Description	Action Taken
Behavioral Health Bed Registry	HB1121	Requires the HSCRC to fund the Behavioral Health Registry.	Letter of Information with Amendments
Financial Assistance	SB875 HB1420	Requires HSCRC to develop a complaint management process for financial assistance-related concerns, in addition to modeling the impact to Uncompensated Care that several potential changes to Statute would have.	Letter of Information with Amendments
Debt Collection Practices	SB873 HB1081	Restricts the instances in which hospitals can use legal means to pursue patients for unpaid amounts. Enhances reporting to HSCRC to include factors such as race and gender, and requires hospitals to send HSCRC more debt collection procedural information, which HSCRC then has to report on.	Letter of Information with Amendments

Priority Bill Tracking

Bill Topic	Bill #	Description	Action Taken
Unregulated Space in Hospitals	HB838	Requires HSCRC to study the feasibility of an unregulated space in hospital operating suites pilot, in order to responsibly explore appropriate adjustments to population-based revenues and their interactions with Commission policies.	Letter of Information
Joint Committee Reporting on Homelessness & Housing Status	SB973 HB1031	Requires HSCRC to report to the Joint Committee on Ending Homelessness on the housing status of patients discharged from hospitals in the preceding 12 months	Letter of Information
Medical Liability Insurance	SB879 HB1563	Establishes a “Lifetime Care Trust” to pay claims arising from settlement agreements or jury awards for birth-related neurological injuries. The rate-setting system would be used to fund a Trust. Establishes a non-governmental agency to distribute funds to patients, decide the amount needed in the fund	Letter of Information



Priority Bill Tracking

Bill Topic	Bill #	Description	Action Taken
Medical Liability Insurance	SB187	Qualifies who can be considered an expert witness and when those people could present testimony (would institute the Daubert standard). This bill previously included additional provisions but MHA has agreed to narrow it to align it with the House version.	Monitor, No Response
Medical Liability Insurance	HB684	Qualifies who can be considered an expert witness and when those people could present testimony (would institute the Daubert standard).	Monitor, No Response
Budget	HB150 SB190	Budget Bill for FY 2021	Monitor, No Response
Budget	HB152 SB192	Budget Reconciliation and Financing Act of 2020	Monitor, No Response

Priority Bill Tracking

Bill Topic	Bill #	Description	Action Taken
EMS Services	SB777 HB779	Requiring the Maryland Department of Health to reimburse certain emergency medical services providers for certain services provided to Maryland Medical Assistance Program recipients in an amount specified by certain regulations that is at least \$200 per transport; specifying the minimum reimbursement rate of \$100 per interaction for certain services provided by emergency service transporters; etc	Monitor, No Response
Balance Billing	SB776	Sets guidelines for out-of-pocket financial responsibilities in instances when patients receive services from out-of-network physician at hospital facilities.	Bill Withdrawn

HSCRC Post-Session Reporting Requirements

- ▶ Annual Governor's Report (Annually due 5/1/2020)
 - ▶ Newly formatted consolidated report on Total Cost of Care Model progress

- ▶ OR Regulated Space Pilot Project Study (due 6/30/2020)
 - ▶ Desirability of allowing for unregulated space in a hospital operating room as a pilot

- ▶ DLS Report Requests (due 10/1/2020)
 - ▶ Evaluation of Maryland Primary Care Program - Cost-savings from reducing hospital utilization compared to increased expenditures for provider incentives
 - ▶ Policy on the Management of Hospital Profits - Appropriate levels of hospital profits and tools to regulate hospital profits

- ▶ Homelessness & Housing Status Report (due 11/15/2020)
 - ▶ Housing status of patients discharged from hospitals in the preceding 12 months

- ▶ Community Benefits Reporting (due 12/1/2020)
 - ▶ Workgroup description of each hospital's process for soliciting input and recommendations to have MDH and Local Health Departments assess the effectiveness of spending

- ▶ Impact of Financial Assistance Policy Changes (due 1/1/2021)
 - ▶ Use data from the Comptroller and CRISP to analyze the effect of changes to financial assistance provisions on Uncompensated Care

- ▶ Birth Injury Fund (Annually due)
 - ▶ Analyze and report on general state of medical malpractice costs and oversee the funding of a Infant Lifetime Care Trust Fund

- ▶ Medical debt reporting (Annually due)
 - ▶ Collect and report on new information from hospitals regarding the debt collection process



March 11, 2020

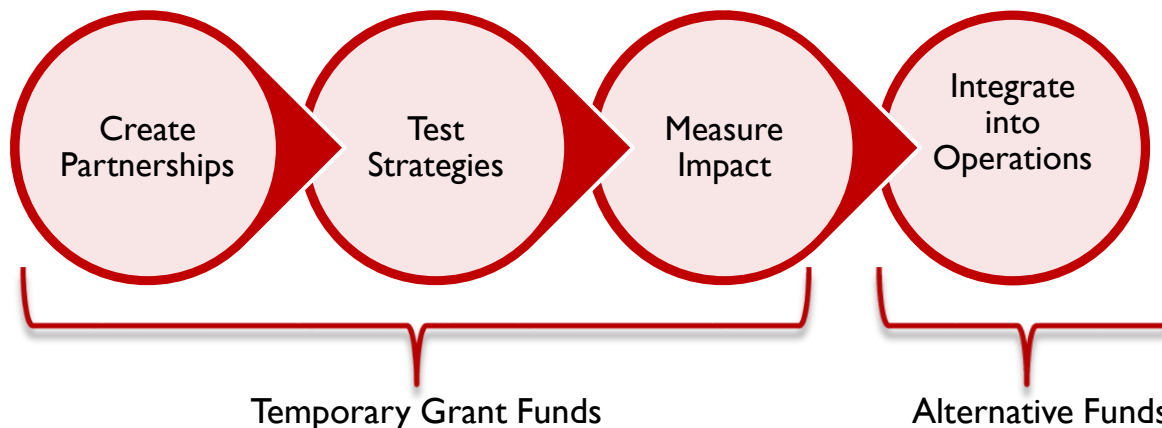
Medicare Advantage Partnership Grant Program, as approved February 2020

Health Services Cost Review Commission
Tequila Terry (Deputy Director, Provider Alignment)



The HSCRC Medicare Advantage Partnership Grant Philosophy

- ▶ **Medicare Advantage Partnership (MAP) Grant Program is designed to:**
 - ▶ Foster collaboration between Hospitals and Medicare Advantage Plans
 - ▶ Increase access to 4+ Star Rating Medicare Advantage plans in the State,
 - ▶ Improve services particularly for high cost and high risk populations
 - ▶ Develop strategies that improve care coordination, quality, and lead to long term health improvement of beneficiaries
 - ▶ Extend healthcare transformation efforts to the Medicare Advantage market
- ▶ **Grants can not support interventions in perpetuity**
- ▶ **Impact & effectiveness must be measured**
- ▶ **If a strategy is successful, it should be integrated into hospital & MA Plan operations and supported via alternative permanent source(s) of funding in the future**



MAP Grant Program Guiding Principles

Foster Medicare Advantage Plan Penetration	<ul style="list-style-type: none">• Develop strategies that support access, competition, and increased enrollment in all jurisdictions
Ensure alignment with State priorities	<ul style="list-style-type: none">• Strategies must effectively align with Total Cost of Care Model and the all payer system
Eliminate duplication	<ul style="list-style-type: none">• Ensure grant funds are not duplicative with other mechanisms
Leverage evidence-based practices	<ul style="list-style-type: none">• Use data to inform interventions that are supported
Encourage broad collaboration	<ul style="list-style-type: none">• Widespread engagement of Medicare Advantage plans across the State
Identify the impact	<ul style="list-style-type: none">• Impact that can be measured
Ensure sustainability	<ul style="list-style-type: none">• Develop a pathway for permanency for successful strategies
Ensure grant oversight	<ul style="list-style-type: none">• Ensure oversight and appropriate use of resources

Commission Approved Policy: Medicare Advantage Partnership (MAP) Grant Program

- ▶ **Based on affirmative Commission vote from February 2020:**
 - ▶ HSCRC will provide funding to hospitals partnering with a Medicare Advantage Plan for no more than two years (FY2020 and FY2021) through a competitive grant process.
 - ▶ There will be up to \$50M each year available for the Grant.

- ▶ **Considerations for grant application:**
 - ▶ Health Plans must have a minimum of 3.5 stars to be eligible to apply to ensure quality.
 - ▶ HSCRC will evaluate applications based on the following criteria:
 - ▶ (a.) Applicants that serve high cost or high risk beneficiaries
 - ▶ (b.) Applicants that support access and competition in jurisdictions
 - ▶ (c.) Applicants that are seeking funds to increase benefits or support enhanced enrollment
 - ▶ (d.) Applicants that demonstrate collaboration between plans, hospitals, and other downstream providers to support TCOC and care transformation aims

CMS Application Timeline Excerpt

APPLICATION AND BID REVIEW PROCESS*

Date	Milestone
November 13, 2019	Recommended date by which applicants should submit their Notice of Intent to Apply Form to CMS to ensure access to Health Plan Management System (HPMS) by the date applications are released.
December 2, 2019	CMS User ID form due to CMS
January 8, 2020	Final Applications Posted by CMS
January 24, 2020	Deadline for NOIA form submission to CMS
February 12, 2020	Completed Applications due to CMS
April 2020	Plan Creation module, Plan Benefit Package (PBP), and Bid Pricing Tool (BPT) available on HPMS.
May 1, 2020	PBP/BPT Upload Module available in HPMS
May 12, 2020	Release of CY 2021 Formulary Submission Module.
June 1, 2020	Bids due to CMS.
Late August 2020	CMS completes review and approval of bid data.
September 2020	CMS executes MA and MA-PD contracts with organizations whose bids are approved and who otherwise meet CMS requirements.
Mid October 2020	Annual Coordinated Election Period begins for CY 2021 plans.



* Note: All dates listed above are subject to change.

MAP Grants – Two Rounds of Funding

▶ Round One Proposal Deadline: March 27, 2020, Noon EST

- ▶ Preliminary Proposal Disposition Notifications – April 1, 2020
- ▶ Amended Rate Orders Issued (Estimate)– May 2020 (Effective July 1, 2019)
- ▶ Hospitals that apply by the deadline and are awarded Round One funding will receive funding for FY2020 and may also apply for funding in Round 2.

▶ Round Two Proposal Deadline: November 13, 2020, Noon EST

- ▶ Preliminary Proposal Disposition Notifications – December 15
- ▶ Mid-Year Rate Orders Issued – January 2021 (Effective July 1, 2020)
- ▶ Hospitals that apply by the deadline and are awarded Round Two funding will be eligible to receive grant funding for FY2021 only.



Medicare Advantage Program Grant- Written Public Comments Summary

- ▶ A public comments period was open from February 6th through February 20th
- ▶ HSCRC staff received 6 comment letters
 - ▶ CareFirst
 - ▶ Johns Hopkins Health System
 - ▶ Coalition on Improving Access to Medicare Advantage in Maryland
 - ▶ MedChi
 - ▶ MHA
 - ▶ UMMS/UMHA
 - ▶ Kaiser



Public Testimony

Medicare Advantage Partnership Grant Program – Staff Recommendation

- ▶ **Delegate authority to HSCRC Staff to:**
 - ▶ Develop the Medicare Advantage Partnership RFP
 - ▶ Publish the RFP
 - ▶ Evaluate applications submitted for funding
 - ▶ Make award determinations up to the approved limit of \$50M for Round One grants and \$50M for Round Two grants
- ▶ **HSCRC Staff should work with one or more Commissioners during the process**



Maryland
Hospital Association

February 20, 2020

Chris Peterson
Acting Executive Director
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215

Dear Mr. Peterson:

On behalf of Maryland's 60 member hospitals and health systems, the Maryland Hospital Association appreciates the opportunity to comment on the commission's proposed Medicare Advantage (MA) Hospital Partnership Grant Program.

Funding should not automatically be offset against inflation.

The original HSCRC staff proposal showed that funding for the grant program would be offset against hospital cost inflation. At the February 12 public meeting, commissioners approved an amended formula that would fund the program through expected Model cost savings. If savings are not enough, the commission will count excess rate funding toward statewide revenue growth but will not automatically offset any amount against hospital cost inflation.

We agree with the commissioners' conclusion. Cost inflation is real. Any funding to bolster MA should not come out of the inflation factor.

Show the expected financial impacts of Medicare Advantage on the Model.

Commissioners cited a potential favorable financial impact to the Model if MA expands in Maryland, particularly plans that serve high-cost beneficiaries. Conversely, commissioners warned of adverse financial impacts if current high-cost MA plan enrollees move to the fee-for-service population.

Echoing our comments from the public meeting, we ask the commission to please present a thorough analysis of the potential favorable and unfavorable effects of alternative scenarios. That would assist all stakeholders as we consider options for a long-term solution.

Commissioners expressed a desire to have a sustainable way to grow MA penetration in Maryland. Increasing transparency of expected financial impacts will allow all stakeholders to give the commission feedback using the same objective knowledge base.

Mr. Peterson
February 20, 2020
Page 2

Thank you for your careful consideration of this matter. If you have any questions, please contact me.

Sincerely,



Brett McCone
Senior Vice President, Health Care Payment

cc: Nelson J. Sabatini, Chairman
Joseph Antos, Ph.D., Vice Chairman
Victoria W. Bayless
Stacia Cohen, RN
John M. Colmers
James N. Elliott, M.D.
Adam Kane
Allan Pack, Principal Deputy Director, Population Based Methodologies

Maria Harris Tildon
Executive Vice President
Marketing, Communications & External Affairs

CareFirst BlueCross BlueShield
1501 S. Clinton Street, Suite 700
Baltimore, MD 21224-5744
Tel. 410-605-2591
Fax 410-505-2855

February 20, 2020

Nelson J. Sabatini, Chairman
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Dear Mr. Sabatini:

I write to provide CareFirst's comments on the HSCRC Staff's "Staff Report on Maryland's Medicare Advantage Landscape and Options for Medicare Advantage-Hospital Partnership Grant Program," as well as the amended "Commission Policy on Medicare Advantage-Hospital Partnership Grant Program."

Our initial questions serve as an attempt to gain clarity around how the grant program would work:

- How would determinations be made on the allocations of the available \$50 million in the event there are multiple deserving applicants?
- What would be the basis for restricting access to 3.5-star minimum plans if the goal is to improve plan quality?
- What are the application and funding timelines? Given the urgency around stabilizing the market, we believe this should take effect in FY2020.
- Once funding is awarded to a Hospital-Plan partnership:
 - o Who owns the grant money – the hospital or the MA Plan?
 - o How will the spending of that money be tracked to ensure it is spent in accordance with the successful application?
 - o Will reporting be required from the Hospital-Plan partnership and if so, how frequently?
 - o Will hospitals be required to pass the awarded funds directly on to the MA plans they've designated as their partners?
 - o Under what circumstances could the HSCRC take grant money back from a partnership? Which party (Hospital or Plan) is at-risk?

CareFirst recognizes the urgency Maryland faces with the Medicare Advantage market's low enrollment – only 14% penetration – 47th in the country – as well as recent plans' exits from the market. Allowing this trend to continue without appropriate and thoughtful intervention would mean continuing to subject Maryland's Medicare-eligible population to subpar options. We believe Marylanders deserve enhanced options and recognize that this could be the first step toward identifying a permanent fix for the Medicare Advantage market in Maryland. We support the intent of the grant program, but only while a longer-term solution is pursued with the same amount of rigor.

CareFirst is committed to helping Maryland's Medicare-eligible population by offering a Medicare Advantage product. Our belief is that offering care management services to aging and complex

beneficiaries will drive improved health outcomes. However, as we plan our market entry, CMS' Medicare Advantage payment methodology, which reimburses plans at 95% of the FFS benchmark in practically all Maryland counties, presents a challenge to our ability to roll our product out broadly. In other states, Medicare Advantage plans can negotiate lower prices and enter into unique value-based payment arrangements with select hospitals in order to influence their medical costs and remain financially sustainable. Instead, in Maryland, the all-payer rate-setting system not only removes a payer's ability to negotiate hospital rates, but also institutes an environment in which Medicare spends more in Maryland than any other state. As a result, Medicare FFS spending places Maryland in the 95% quartile for Medicare Advantage. The combination of operating in an all-payer rate-setting system with no ability to negotiate hospital rates, coupled with an environment where Medicare's FFS spending is higher than any other state, creates a cycle that has both acted as a barrier to entry for successful national plans and forced plans to exit the market.

CareFirst recognizes Staff's position that Medicare Advantage enrollment nationwide is largely driven by availability of 4- and 5-star plans. While we do not disagree with that premise, we believe the experience in this state has demonstrated a lack of alignment between all-payer rate-setting and the Medicare Advantage benchmark payment methodology. We are committed to working toward a permanent fix that preserves the integrity of our Waiver while simultaneously providing sustainable, high quality Medicare Advantage options for Medicare beneficiaries.

Thank you for this opportunity to comment on the Hospital-Medicare Advantage Plan Partnership Grant Program and Staff Report. We support the goals of the grant and understand the need for a path to higher quality Medicare Advantage Plans. We also recognize that this grant program is only a short-term solution and look forward to working with the Commission on a permanent fix to stabilize and enhance the Medicare Advantage market across Maryland.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Maria Harris Tildon', is written over a horizontal line. The signature is stylized and cursive.

Maria Harris Tildon

Cc: Joseph Antos, Ph.D., Vice Chairman
Victoria Bayless
Stacia Cohen
John Colmers
James N. Elliott, M.D.
Adam Kane
Katie Wunderlich, Executive Director
Chris Peterson, Acting Executive Director



250 W. Pratt Street
24th Floor
Baltimore, Maryland 21201-6829
www.umms.org

CORPORATE OFFICE

February 19, 2020

Ms. Katie Wunderlich
Executive Director
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215

Dear Ms. Wunderlich:

On behalf of the University of Maryland Medical System, Inc. (UMMS) and its wholly owned subsidiary University of Maryland Health Advantage, Inc. (UMHA), we appreciate the opportunity to comment on the Commission's Medicare Advantage-Hospital Partnership Grant Program.

We commend members of the Commission for recognizing and acting on the challenges associated with the Medicare Advantage marketplace in Maryland. As you know, Medicare Advantage penetration in Maryland is well below the national average penetration rate throughout the country. Based on the CMS State/County Market Penetration Files, the penetration rate in 2019 was eleven percent (11%) in Maryland compared to the national average rate of thirty-four percent (34%). Further, the marketplace in Maryland has been unstable for the past several years, due to the significant financial losses incurred by a number of Medicare Advantage plans, including those sponsored by UMMS, Johns Hopkins, and MedStar. And, over the long term, unless legislation is enacted to modify the methodology for Medicare Advantage premiums in Maryland, we envision further erosion of the penetration rate.

Unfortunately, due to the unstable marketplace in Maryland and the exit of several Medicare Advantage plans in recent years due to unsustainable financial losses, Medicare beneficiaries are not afforded the opportunity to select among multiple choices of benefit options as they enjoy in many other states. Thus, the beneficiaries in Maryland pay the price, which runs counter to the goals of CMS pertaining to the Medicare Advantage program. Therefore, we believe that the Medicare Advantage-Hospital Partnership Grant Program is a good step towards stabilizing the marketplace and ensuring that Maryland beneficiaries have access to Medicare Advantage options as we work toward a permanent solution with CMS.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM
University of Maryland Medical Center • University of Maryland Medical Center Midtown Campus •
University of Maryland Rehabilitation and Orthopaedic Institute • University of Maryland Baltimore Washington Medical Center •
University of Maryland Shore Regional Health – University of Maryland Shore Medical Center at Easton -
University of Maryland Shore Medical Center at Chestertown - University of Maryland Shore Medical Center at Dorchester –
University of Maryland Shore Emergency Center at Queenstown •
University of Maryland Charles Regional Medical Center • University of Maryland St. Joseph Medical Center •
University of Maryland Upper Chesapeake Health System – University of Maryland Upper Chesapeake Medical Center -
University of Maryland Harford Memorial Hospital •
University of Maryland Capital Region Health – University of Maryland Bowie Health Center –
University of Maryland Laurel Medical Center – University of Maryland Prince George's Hospital Center •
Mt. Washington Pediatric Hospital • University of Maryland Physician Network • University of Maryland Medical System Health Plans

Ms. Katie Wunderlich
February 19, 2020
Page 2.

Our understanding is that a Request for Proposal (RFP) will be distributed by the Commission, which will provide potential funding for rate years 2020 and 2021. Once received, we have every intention of submitting a proposal in prompt fashion.

Again, thank you for allowing us to comment, and for your efforts to ensure that Medicare beneficiaries in Maryland have benefit choices that they deserve.

Sincerely,



Mohan Suntha, MD, MBA
President & Chief Executive Officer
University of Maryland Medical System



Mark Puente
Chief Executive Officer
University of Maryland Health Advantage, Inc.

Cc: Nelson Sabatini, Chairman
Joseph Antos, PhD, Vice Chairman
Victoria Bayless
Stacia Cohen, RN
John Colmers
James Elliott, MD
Adam Kane



JOHNS HOPKINS
M E D I C I N E

Robert Kasdin

Chief Financial Officer &

Chief Operating Officer

February 20, 2020

Chris Peterson
Acting Executive Director
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Dear Mr. Peterson,

On behalf of the Johns Hopkins Health System (JHHS), which includes our four Maryland hospitals and Johns Hopkins Health Care, thank you for the opportunity to submit a letter of intent regarding the Health Services Cost Review Commission's (HSCRC) Policy on Medicare Advantage Hospital Partnership Grant Program as presented and amended by the Commissioners on February 12, 2020.

JHHS, in partnership with other Maryland hospitals and health systems, operates Maryland's second largest Medicare Advantage plan, Hopkins Health Advantage (HHA). JHHS and HHA share the HSCRC's commitment to the Medicare Advantage market and intend to apply for grant funds made available through Maryland's All-Payer waiver to stabilize and enhance Medicare Advantage plans in Maryland.

JHHS strongly supports the HSCRC's actions to stabilize the Medicare Advantage market in Maryland. Additionally, JHHS commits to collaboration with the HSCRC to develop a permanent solution to the Medicare Advantage payment distortion that is related to the Maryland hospital demonstration model. A robust and stable Medicare Advantage market is critical to the success of Maryland's Total Cost of Care Model and is in the best interest of Maryland Medicare beneficiaries. Medicare Advantage provides additional flexibility and tools to manage health care utilization, lower out-of-pocket costs, and improve quality outcomes for Medicare beneficiaries.

JHHS and HHA look forward to partnering with the HSCRC in efforts to enhance the Medicare Advantage landscape in Maryland. We anticipate submitting an application once the Request for Proposals becomes available.

Sincerely,



Robert Kasdin
Senior Vice President, Chief Financial Officer and
Chief Operating Officer,
Johns Hopkins Medicine

cc: Nelson J. Sabatini, Chairman
Joseph Antos, Ph.D., Vice Chairman
Victoria W. Bayless
Stacia Cohen, RN

John M. Colmers
James Elliott, MD
Adam Kane
Kevin W. Sowers, M.S.N., R.N.,
F.A.A.N



Mid-Atlantic Permanente Medical Group, P.C.
Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.

February 20, 2020

Nelson J. Sabatini
Chairman
Maryland Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215

Re: Staff Report on Maryland's Medicare Advantage Landscape and Options for Medicare Advantage-Hospital Partnership Grant Program

Dear Chairman Sabatini,

Kaiser Permanente of the Mid-Atlantic States (or "Kaiser Permanente") appreciates the Commission's consideration of our comments on the "Commission Policy on Medicare Advantage-Hospital Partnership Grant Program" (the "Policy") approved by the Health Services Cost Review Commission (HSCRC) at its February 12, 2020 public meeting.

Kaiser Permanente of the Mid-Atlantic States provides and coordinates complete health care services for over 775,000 members through 32 medical office buildings in the District of Columbia, Maryland and Virginia. Kaiser Permanente is a total health organization comprising Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc., the Mid-Atlantic Permanente Medical Group, P.C., an independent medical group that includes approximately 1,500 physicians who provide or arrange care for patients throughout the area, and Kaiser Foundation Hospitals which contracts with community hospitals in D.C., Maryland and Virginia for the provision of hospital services for our members and patients. In Maryland, we deliver care to over 430,000 members including approximately 58,000 Medicare beneficiaries.

While we understand and support the underlying purpose of the Commission's Policy, we have significant concerns about both the Policy itself and the process through which the Policy was adopted. Specifically, we are concerned that:

- The Policy will not achieve the intent described in the "Staff Report on Maryland's Medicare Advantage Landscape and Options for Medicare Advantage-Hospital Partnership Grant Program"—that is, increasing Medicare Advantage (MA) market penetration in Maryland.
- The Policy, as adopted, will provide an inequitable financial benefit to hospital systems in Maryland that own or control one or more MA plans and will do nothing to improve the quality of those plans.
- The Commission amended and adopted the Policy without a meaningful opportunity for public comment, in violation of the Maryland Open Meetings Act.

Rather than proceed with the Policy as adopted, Kaiser Permanente recommends that the Commission withdraw the Policy, permit market forces to continue to influence plan

performance and MA penetration rates, and consider alternative ways to improve plan financial performance in Maryland.

HSCRC Policy as Adopted

As amended and approved by the Commission at its February 12, 2020 meeting, the HSCRC would “provide funding to hospitals partnering with a Medicare Advantage plan” for the remainder of FY 2020 and FY 2021 through a “competitive grant process” in which up to \$50 million per year would be made available. Funding for the grant will come from “anticipated savings in FY20 and anticipated savings and/or the update factor in FY21 depending on Contract performance.” In order to “ensure quality,” health plans must have a minimum of 3.5 stars on the Centers for Medicare & Medicaid Services’ (CMS) Star Ratings system to be eligible to apply for a grant. The Commission will evaluate applications based on the following criteria:

- Applicants that serve high-cost or high-risk beneficiaries;
- Applicants that support access and competition in jurisdictions;
- Applicants that are seeking funds to increase benefits or support enhanced enrollment;
- Applicants that demonstrate collaboration between plans, hospitals, and other downstream providers to support TCOC [Total Cost of Care] and care transformation aims.¹

While not explicitly stated in the final Policy, we understand that the grant funding would be provided in the form of hospital rate increases permitted for the participating hospitals that partner with MA plans and, thus, carriers that contract with the participating hospitals would pay higher rates to those hospitals.

The final, approved Policy differs from its proposed version in the Staff Report in the following significant ways:

- Whereas the Commission under the proposed grant program would have recaptured grant funding from the hospital if quality targets for the partner MA plan were not achieved, the final Policy contains no link to, nor incentive to improve, the quality of care and service provided by the MA plan.
- The proposed grant program would have ensured budget neutrality by reducing the RY 2021 and RY 2022 Update Factors by an amount necessary to offset the grant spending (but increasing future Update Factors by any recaptured amounts).
- The final Policy is partially *retroactive* to FY 2020, whereas the proposed policy would have applied only prospectively to FY 2021-2022.

Concerns Regarding Approved Commission Policy

Kaiser Permanente is concerned that the Policy, as adopted, will not achieve its stated intent of improving MA penetration in Maryland. At the same time, it will inequitably benefit select hospital-MA partnerships with no accountability to improve plan quality.

¹ See “Medicare Advantage-Hospital Partnership Grant Program,” slide 3, in HSCRC February 2020 Public Post-Meeting Materials, <https://hscrc.maryland.gov/Documents/February%202020%20Public%20Post-Meeting%20Materials.pdf> (Feb. 12, 2020).

The Staff Report's findings pointed to plan quality ratings as an influential factor in the MA penetration rate for a market but concluded that the MA benchmarks in Maryland and the TCOC Model are not the primary causes of the low MA penetration.² Based on its findings, the Staff Report hypothesized that the HSCRC "could assist Medicare Advantage plans to improve their star ratings through a grant program for hospitals that partner with Medicare Advantage plans."³ Therefore, HSCRC staff proposed a grant program for FY 2021-2022 intended to "create partnerships and strategies that result in long-term improvement in the population health of Medicare Advantage beneficiaries" and increase MA star ratings to make the plan more attractive to prospective enrollees and increase CMS payments, some of which can be returned to enrollees in the form of enhanced benefits and reduced cost-sharing, "making the plan even more attractive to prospective enrollees."⁴

We believe the Staff Report's analysis of the Maryland market is thoughtful but excludes important factors that impact MA penetration. One major factor working against MA uptake is the prevalence of Medicare-eligible individuals who are either ineligible for MA or have incentives not to choose an individual MA plan (as opposed to an employer-based or group MA plan, which were excluded from the analysis). Specifically, many retirees of the federal government, the State of Maryland and the D.C. government who reside in Maryland are provided generous retiree group health coverage and would not benefit by choosing an individual MA plan. Similarly, there are many veterans residing in Maryland who receive their health care through TRICARE rather than Medicare. Further, many such retirees have Medicare Part A but do not enroll in Medicare Part B, making them ineligible for Medicare Advantage. We believe these factors likely contribute strongly to the lower uptake of MA in Maryland and would encourage the Commission to analyze their impact. Conversely, there are other factors that attract prospective enrollees including a plan's price point, benefit design/richness and network design, so increasing market penetration is not as simple as having a higher average star rating.

Additionally, we believe that there are trends and market entrances that will affect penetration in the coming years, including the entrance of CareFirst (and potentially other national carriers) that may offer very low or \$0 cost sharing plans that will be attractive to prospective enrollees, and the increase over time in new or novel supplemental benefits that may attract enrollment away from Original Medicare (with or without a Medicare Supplemental plan). In addition, ongoing education

² See "Staff Report on Maryland's Medicare Advantage Landscape and Options for Medicare Advantage-Hospital Partnership Grant Program," in HSCRC February 2020 Public Post-Meeting Materials, <https://hscrc.maryland.gov/Documents/February%202020%20Public%20Post-Meeting%20Materials.pdf> (Feb. 12, 2020):

At page 15: "Given that there is no clear relationship between the Medicare Advantage benchmark and Medicare Advantage penetration, staff does not consider the FFS [fee-for-service] costs or the benchmark in Maryland to be the primary cause of low Medicare Advantage penetration in Maryland."

At page 17: "Given the relationship of Medicare Advantage enrollment with the availability of 4+ star rated plans, staff believes that low Medicare Advantage enrollment in Maryland is primarily driven by the relatively low quality plans in Maryland."

At page 18: "Even if the Maryland TCOC Model were removed and Medicare Advantage plans [were] allowed to negotiate rates with hospitals and negotiate lower rates, Medicare Advantage penetration would be unlikely to grow without the availability of 4+ star plans."

³ *Id.* at 18.

⁴ *Id.*

efforts regarding the value of MA plans as an alternative to Original Medicare + Medicare Supplemental will continue to generate interest in and selection of MA.

With these other factors and market influences in mind, we do not believe that the Commission's grant program will appreciably move the needle on MA penetration. We agree there could be some improvement in enrollment rates that comes with higher (4+ stars) plan ratings and the associated higher benchmarks, which provide additional opportunity for plans to offer supplemental benefits and/or lower cost-sharing. However, we do not see that the final adopted Policy, with no accountability mechanism for grantee quality performance, will actually drive higher star ratings. While the grant proposal contained in the Staff Report was imperfect, it would have had the redeeming feature of incentivizing improved quality performance. As we understand it, the grant program under the final Policy is purely a funding device to be selectively granted—in the near term and with retroactive effect—to average-performing hospital-based MA plans, with no accountability mechanism for improving their quality performance to the benefit of Medicare enrollees. And, while the grant program is hypothetically open to any hospital that “partners” with an MA plan, it is very unlikely that hospitals that have not already launched their own MA plan will do so in the next few months, nor will they be likely to enter contractual arrangements that could qualify as a partnership as intended under the Policy.

Finally, we have concerns that the provision of funding from participating Maryland hospitals to their partner MA plans, as contemplated under the final Policy, may not be permissible under CMS' Medicare Advantage bidding rules—particularly now, after FY 2020 Medicare bids were approved and payments are being made to plans. We also question how HSCRC intends to monitor the payments between participating hospitals and their partner MA plans to ensure grant funds are being directed toward improving performance of the health plans.

Process Concerns

The Maryland Open Meetings Act requires that the public must be given a grasp of what is being discussed and acted on during an open meeting of a public body. The agenda and materials for the Commission's February 12, 2020 meeting provided the Staff Report, which included a description of a proposed grant program and sought comments on the proposal, but gave no notice that that the Commission would consider, amend and adopt another version of the grant program at the meeting. As a result of the Commission's failure to provide adequate notice relating to the approval of the Policy, and the Commission's failure to seek public comment on the content of the amended Policy prior to adoption, the HSCRC's actions at the Public Meeting run against Maryland's Open Meetings Act.⁵

Recommendation

While Kaiser Permanente agrees that MA penetration should be higher in Maryland, for the reasons described above, we do not believe the Commission's grant program will move the needle. Rather, we believe that the market forces in Maryland will impact penetration rates faster than the approved grant program.

Rather than proceed with an inequitable, and likely ineffective, grant program benefitting a limited number of hospital-owned plans, Kaiser Permanente recommends that the HSCRC withdraw its

⁵ Maryland Code Ann., General, §3-101 *et seq.*

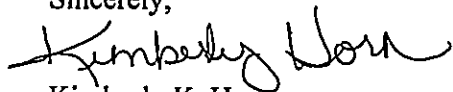
Policy and, instead, work with CMS to appropriately and thoughtfully modify MA benchmarks for Maryland.

One option is for the HSCRC to support advocacy, which Kaiser Permanente has supported, that CMS use Medicare FFS experience from only those beneficiaries with both Parts A and B to calculate MA benchmarks. This would almost certainly have a positive effect on MA benchmarks in Maryland (as well as other markets across the country) due to the fact that the average FFS costs that are the foundation of MA benchmarks are higher for beneficiaries with both Parts A and B than for those with only Part A or only Part B. This proposal is also supported by the Medicare Payment Advisory Commission (MedPAC).

* * *

We appreciate the Commission's consideration of these comments and would be pleased to discuss them further with the Commission and/or staff. Please contact me at kim.k.horn@kp.org if we may be of assistance.

Sincerely,



Kimberly K. Horn
Group President, Markets Outside of California
Kaiser Foundation Hospitals and Health Plan

February 20, 2020

VIA ELECTRONIC SUBMISSION

Nelson J. Sabatini
Chairman
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: Staff Report on Maryland's Medicare Advantage Landscape and Options for Medicare Advantage-Hospital Partnership Grant Program

On behalf of the Coalition on Improving Access to Medicare Advantage in Maryland (Coalition), we are writing to applaud the Health Services Cost Review Commission's (HSCRC) recognition of the need to seek a long-term solution with the Centers for Medicare and Medicaid Services (CMS) to improve beneficiary choice in the Maryland Medicare Advantage (MA) market. Our Coalition has formed with the goal of providing Medicare beneficiaries with greater choice and value, and we are grateful for the opportunity to express our support for the HSCRC's efforts in this area. We look forward to working with the HSCRC to develop a long-term solution to ensure Maryland beneficiaries have access to high-quality health insurance.

Our Coalition is comprised of health care organizations with extensive experience in Maryland's unique MA health care market, both as providers and carriers. Maryland's Total Cost of Care (TCOC) Model hospital payment distinguishes the state's insurance market from the rest of the country. This has a profound impact on the Maryland MA market.

Maryland's MA penetration rate, now less than twelve percent, ranks 47th in the country and lags far beyond the thirty-four percent average national penetration rate. Nationally, a greater percentage of Medicare beneficiaries are choosing MA plans every year. Many seniors are choosing MA plans because they offer robust benefits that are not offered in traditional Medicare, including dental and vision. However, Maryland is seeing a decline in MA enrollment. There are six counties that have no MA options for beneficiaries and another six that have only one option. Several MA plans have exited the Maryland market in the past few years, which not only further limits choice for beneficiaries, but also diminishes care management and increases costs for Medicare-fee-for-service (FFS).

MA can support the TCOC Model's goals by improving population health, limiting costs, and providing greater choice for Maryland beneficiaries. MA organizations are incentivized to control the total cost of care for their beneficiaries similar to the TCOC Model. To control costs, MA plans coordinate care and improve health outcomes for beneficiaries, which garners savings. Leveraging coordinated care while taking on risk to care for large populations mirrors the TCOC Model's design and goal to improve health outcomes for Maryland seniors. Further, MA plans' additional benefits fill critical gaps in coverage under Medicare and improve quality of life for seniors. MA

allows beneficiaries to select a plan that best fits their health needs and improve their quality of life. Although MA aligns with the TCOC Model, Maryland beneficiaries lack access to high-quality coordinated care and comprehensive plan benefits because of an oversight in federal law.

The decline of the Maryland MA market is largely due to revisions to the MA payment methodology, mandated by the Affordable Care Act (ACA), which have been implemented in Maryland without accounting for the unique circumstances created by Maryland's TCOC Model. Under the revised ACA methodology, plans participating in counties with relatively high FFS Medicare spending, such as the entire state of Maryland, bid against benchmarks set at a lower percentage of FFS spending, with the assumption that there is opportunity to lower costs in these areas. However, MA organizations in Maryland are not able to negotiate hospital prices below what Medicare FFS pays, because hospital rates are set under the TCOC Model. In our experience as MA organizations, this discrepancy between how benchmarks are set and how rates are set is the reason many MA organizations have left the market, which has led to limited beneficiary choice.

We encourage the HSCRC to work with CMS to modify MA benchmarks for Maryland. Benchmarks could be calibrated to bring MA rates to the equivalent of FFS spending and would promote plan participation in the Maryland market. We believe this would protect the TCOC Model and its goals and increase the Model's overall savings potential.

TCOC was the first CMS Innovation Center model that held a state fully at risk for the total cost of care. However, the TCOC Model is limited to the Medicare FFS population and does not currently reach MA beneficiaries. The TCOC Model is an innovative approach that is generating significant savings. However, with additional flexibilities, the state and federal government could realize further savings as well as improve beneficiary plan choice and quality of care. By stabilizing and expanding the TCOC Model, the state and CMS would generate additional savings from efficiencies created by MA "spillover" effects that result in provider efficiencies in the Medicare FFS population. Our Coalition projects a positive return on investing appropriate resources in MA. A managed care component of the TCOC Model could also extend to the Medicare-Medicaid dual eligible population, which we believe would present further opportunities for improved care and increased savings.

We appreciate the HSCRC's work in this area and the opportunity to provide comments. We stand ready to work with the HSCRC and CMS to develop a long-term solution to stabilize the Maryland MA market while fostering innovation, increasing savings, and improving quality of care for Maryland beneficiaries. Thank you for your consideration.

Sincerely,

Mark Puente
UM Health Advantage

Eric Wagner
MedStar Health Advantage

Robert Kasdin
Johns Hopkins Health System

Brian Pieninck
CareFirst BlueCross BlueShield

February 20, 2020

Chris Peterson
Acting Executive Director
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: Medicare Advantage

Dear Director Peterson,

As the largest physician organization in Maryland, MedChi, The Maryland State Medical Society, supports the proposal presented by the HSCRC Commissioners to establish a grant program to create a more competitive and stable Medicare Advantage marketplace in Maryland.

We would specifically ask that as the program is developed consideration of concerns important to physicians including but not limited to network adequacy, appropriate practitioner reimbursement, and protecting the public from insurance concentration. Furthermore, we think it is important to make any expansion of the Medicare advantage program congruent with the Maryland Primary Care program. We would urge that before launching the changes we align the Maryland Primary Care program with Medicare advantage. Physicians need all their Medicare patients in the Primary Care program, and must have access to all their patients data.

MedChi represents physicians and the patients they serve. The physician community strongly believes that their patients should have choice in selecting their health plan and health plan options. Medicare Advantage may at times be the best option for some individuals based on their health care needs. However due to the low participation of Medicare Advantage plans in Maryland, some Marylander's have little to no options in selecting a Medicare Advantage plan.

MedChi also believes that the recently expanded definition of supplement benefits covered by Medicare Advantage plans offers tremendous promise to improve the overall health of our patients. As front line caregivers, we often hear about the challenges patients experience in achieving their health goals, such as transportation and healthy meals. The opportunity for Medicare Advantage plans to offer these services will contribute to improving the overall health of the populations we serve.

Expanded choice and benefits in Maryland's Medicare Advantage market likely cannot be achieved without bringing greater stability. While We support the HSCRC's efforts to sustain the Medicare Advantage market through a grant based program, we think it is really important to protect physicians and patients and make sure the market is not open to abuse. Of particular importance is making sure the grant program comes with network adequacy protections that allows protections for physicians that want to participate in these programs.

Medicare Advantage aligned with the Maryland Primary Care program could be a tool to better help us achieve our goals under the waiver and while long term sustainability options are pursued. MedChi looks forward to being a positive force as we work toward a reasonable measured solution to this complex problem.

Sincerely,

A handwritten signature in blue ink that reads "Gene M. Ransom III". The signature is written in a cursive style with a horizontal line at the end.

Gene Ransom
Chief Executive Officer
MedChi, The Maryland State Medical Society

cc: Nelson Sabatini, Chairman
Joseph Antos, Ph.D., Vice Chairman
Victoria W. Bayless
Stacia Cohen, RN

John M. Colmers
James Elliott, MD
Adam Kane

State of Maryland
Department of Health



Adam Kane
Chairman

Joseph Antos, PhD
Vice-Chairman

Victoria W. Bayless

Stacia Cohen

John M. Colmers

James N. Elliott, M.D.

Katie Wunderlich
Executive Director

Allan Pack, Director
Population Based
Methodologies

Chris Peterson, Director
Payment Reform &
Provider Alignment

Gerard J. Schmith, Director
Revenue & Regulation
Compliance

William Henderson, Director
Medical Economics &
Data Analytics

Health Services Cost Review Commission

4160 Patterson Avenue, Baltimore, Maryland 21215
Phone: 410-764-2605 · Fax: 410-358-6217
Toll Free: 1-888-287-3229
hsrc.maryland.gov

TO: Commissioners

FROM: HSCRC Staff

DATE: March 11, 2020

RE: Hearing and Meeting Schedule

April 8, 2020 To be determined - 4160 Patterson Avenue
HSCRC/MHCC Conference Room

May 13, 2020 To be determined – 4160 Patterson Avenue
HSCRC/MHCC Conference Room

Please note that Commissioner's binders will be available in the Commission's office at 11:15 a.m.

The Agenda for the Executive and Public Sessions will be available for your review on the Thursday before the Commission meeting on the Commission's website at <http://hsrc.maryland.gov/Pages/commission-meetings.aspx>.

Post-meeting documents will be available on the Commission's website following the Commission meeting.