



# **Maryland Health Services Cost Review Commission**

## **Progress Report--Update on Global Budget**

### **July 9, 2014**

# Overview of Global Budget Implementation

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- ▶ Under the new All-Payer Model with the Center for Medicare & Medicaid Innovation (CMMI), the Commission approved policies to allow hospitals not already covered by the Total Patient Revenue (TPR) budget model to:
  - ▶ Move to global budgets,--i.e., “Global Budget Revenue” (GBR) models, or
  - ▶ To remain on the CPC/CPV model with a new volume governor constraint.
- ▶ The GBR arrangements generally use the framework developed for the TPR arrangements.

# GBR Approved Revenue Framework

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- ▶ Constructed for each hospital/system using common approach and FY13 revenue base
- ▶ Developed in accordance with Commission approved policies
- ▶ Approved revenue established for FY14
- ▶ Updates and adjustments due on July 2014 and thereafter based on HSCRC policies and All Payer Model requirements

# Initial Global Budget Development

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- ▶ Global budget starts with FY13 (July-June) “permanent” revenue
  - ▶ Calculated by adjusting FY13 actual revenue to remove Previous Retroactive Adjustments and to adjust for Price Variances through FY13 year end
- ▶ Adjustments
  - ▶ Demographic adjustment for FY14 (see following slide)
  - ▶ Update factor applied of 1.65%
  - ▶ Quality adjustments applied
    - Shared savings reduction of 0.2%
    - Revenue neutral scaling for MHAC & QBR
  - ▶ Population health infrastructure adjustment of 0.65%,
    - generally ½ in FY14, ½ FY15
- ▶ CY13 projected/actual used to calibrate and ensure Model targets met for each hospital/system

# Demographic Adjustment for FY14

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- ▶ Hospitals with reducing volumes and a trend of decline
  - ▶ No population adjustment, no allowance
  - ▶ Some reductions and future deferment of demographic adjustments when required to balance the model
- ▶ Hospitals with stable volumes (including modest decreases or increases)
  - ▶ Demographic/population adjustment
- ▶ Hospitals with volume increases
  - ▶ Volumes recognized through CY 2013
  - ▶ Demographic/population adjustment from January 1 forward

## Hospital's Base Revenue & Total Approved Regulated Revenue for RY 2014

	Grand Totals	% Total
<b>A. Base Period Gross Revenue</b>		
Actual Base Period Gross Revenue	\$13,778,464,643	
FY13 Compliance Settlements, Quality and Other Adjustments	(\$57,291,007)	-0.42%
Remove Non-GBR Revenue in Base Year	(\$677,204,915)	-4.91%
Approved Base Period FY13 Gross GBR Revenue	\$13,043,968,720	
<b>B. FY 2014 Adjustments</b>		
Increment for GBR Investments	\$37,490,224	0.29%
FY 14 Inflation Annual Allowance	\$190,629,139	1.46%
Vol./Pop Adj. through Dec + Population Adjustment through June	\$139,618,295	1.07%
Net Amount of All Other Adjustments	(\$4,042,721)	-0.03%
<b>C. Approved Regulated Revenue for the Rate Year FY 2014</b>	\$13,407,663,657	
% Change in Approved RY14/RY13 Gross GBR Revenue	2.65%	
% Change in RY 14/FY 13 Actual Revenue:	2.31%	
<b>D. Approved Regulated Non-GBR Revenue</b>	\$688,507,921	
<b>E. Total Approved Regulated Revenue For Rate Year 2014 per Order Nisi</b>	\$14,096,171,578	

Note: Non-GBR revenues consist of revenues (i.e., out-of-state revenues) not covered by the GBR. Only Johns Hopkins Health System and University of Maryland Medical Center excluded out-of-state revenues from GBR, due to the referral nature of the revenue..

# Global Budgets Review

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- ▶ All general acute hospitals expected to adopt global budgets.
  - ▶ Montgomery General Hospital and St. Mary's not yet complete (estimated figures included in totals)

Estimated GBR Approved Revenue for FY 2014	\$13,407,663,657	86%
Estimated TPR Approved Revenue for FY 2014	\$1,543,256,531	10%
Revenue Excluded from GBR for out-of-state FY 2014	\$688,507,921	4%
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	\$15,639,428,109	100%

## Note:

Psych hospitals and Mt. Washington Pediatric Hospital not included in above figures

# Hospitals/Systems with Completed Budgets

Montgomery and St. Mary's not yet complete (estimated amounts included in total)

Hospital	Affiliation	FY 14 Approved	Hospital	Affiliation	FY 14 Approved
Shady Grove	Adventist	376,588,970	BWMC	University	393,555,941
WAH	Adventist	254,864,218	Civista	University	144,514,525
Germantown ER	Adventist	13,839,618	Harford	University	103,938,098
	<b>Adventist Total</b>	<b>645,292,806</b>	Kernan	University	118,349,210
Laurel Regional	Dimensions	122,799,111	Maryland General	University	221,712,410
Prince George's	Dimensions	261,425,365	University of MD	University	1,192,843,953
Bowie EMG	Dimensions	15,617,219	University Shock Trauma	University	177,458,623
	<b>Dimensions Total</b>	<b>399,841,695</b>	Upper Chesapeake	University	305,743,020
Hopkins Bayview	Hopkins	554,499,811	Queen Anne EMG	University	4,912,838
Howard County	Hopkins	281,634,848		<b>University Total</b>	<b>2,663,028,618</b>
Johns Hopkins	Hopkins	1,636,470,794	St. Joseph's	University	362,064,197
Suburban	Hopkins	257,152,521	Atlantic General		101,751,882
	<b>Hopkins Total</b>	<b>2,729,757,974</b>	Anne Arundel		553,115,271
Levindale	LifeBridge	54,535,652	Bon Secours		129,643,967
Northwest	LifeBridge	250,019,982	Doctors Community		221,771,821
Sinai	LifeBridge	702,036,456	Fort Washington		46,796,285
	<b>LifeBridge Total</b>	<b>1,006,592,090</b>	Frederick Memorial		338,085,814
Franklin Square	MedStar	485,365,423	GBMC		427,071,053
Good Samaritan	MedStar	299,617,955	Holy Cross		472,185,907
Harbor	MedStar	204,950,822	New Germantown Hospital		-
Southern Maryland	MedStar	260,984,437	Mercy		487,981,390
Union Memorial	MedStar	415,215,132	Peninsula General		416,052,547
			St. Agnes		411,438,239
				<b>Grand Total</b>	<b>13,407,663,657</b>
	<b>MedStar Total</b>	<b>1,995,192,100</b>			

Hospitals with budgets that Staff has completed for FY 2014 in accordance with Commission approved policies.

Budgets will be updated annually consistent with Commission approved policy beginning July 1, 2014.





# TPR Hospitals

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<b>Hospital</b>	<b>FY 14 Approved</b>
Calvert Memorial Hospital	142,402,619
Chester River Hospital Center	61,106,999
Dorchester General Hospital	59,041,890
Memorial Hospital at Easton	187,789,175
Carroll Hospital Center	252,621,323
Garrett County	45,163,111
McCready Memorial	14,122,299
Meritus Hospital	304,582,766
Union of Cecil	157,033,246
Western MD Regional	319,393,103
	<b>1,543,256,531</b>

Renewals of 3 year agreements for second term implemented July 2013.



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**Report on Existing Global Budget Contracts and  
Changes for Rate Year 2015 and Beyond**



# Overview

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- ▶ Two global budget templates in use
  - ▶ TPR
  - ▶ GBR
- ▶ The GBR arrangements generally use the framework developed for the TPR arrangements.
  - ▶ Updates to tie to the new All-Payer Model
  - ▶ Consumer friendly additions
  - ▶ Some reorganization
- ▶ Review conducted of both agreements with Payment Models Work Group and contract subgroup to identify desired changes to the template and to identify any immediate areas that
  - ▶ need to be addressed

# Recommendations

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1. When updating the template, most of the TPR and GBR provisions should be standardized
  - ▶ This general process can take place with development of a new template for 2016
2. Agreement calls for monthly reporting of progress and annual reporting on infrastructure investments and results
  - ▶ Form subgroups to develop templates by the fall
3. Adjust corridors for variances from global budgets for FY 2015
  - ▶ Ease overall corridors for penalties
  - ▶ Limit carryforward of undercharges