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To: Hospital CFOs

From: Mary Beth Pohl, Deputy Director - Research and Methodology, HSCRC

Date: September 28, 2011

Re: Use of Quarter 4 Final Discharge Data for Rate Setting

Cc: Hospital Case Mix Liaisons, Financial Liaisons

The purpose of this memo is to announce a technical change to the data HSCRC staff will use in calculating each hospital's FY 2011 case mix index (CMI), determining compliance with the existing charge-per-case (CPC) and charge-per-visit (CPV) targets, and establishing rate orders for rate year FY 2012. Due to necessary delays in issuing rate orders, HSCRC staff will utilize quarter 4 final discharge data instead of relying on quarter 4 preliminary discharge data.

This spring, HSCRC staff worked with the Maryland Hospital Association (MHA) and hospitals to develop strategies to issue hospital rate orders close to the start of the FY 2012 rate year. In addition to implementing a "case weight lag," HSCRC staff also intended to calculate hospital's CMI based on the prior fiscal year using quarter 1 - quarter 3 final discharge data and quarter 4 preliminary discharge data. As hospitals submit inpatient and outpatient preliminary discharge data approximately one month prior to the due date of the final discharge data, HSCRC staff anticipated that the use of quarter 4 preliminary data would provide staff an opportunity to issue rate orders more quickly than waiting for the final data submission.

Due to necessary delays in issuing rate orders, hospitals have now submitted FY 2011 quarter 4 final discharge data. After discussing with representatives from MHA, HSCRC staff will now use FY 2011 quarter 4 final discharge data for CMI calculation, determining compliance with existing CPC and CPV targets, and establishing rate orders for rate year FY 2012.

Other notes:

- **Inpatient and outpatient case weights:** The decision to use quarter 4 final discharge data for CMI will not impact the calculated inpatient and outpatient weights. Inpatient weights are based on calendar year 2010 data and outpatient weights are based on data from a 15-month period from January 2010 through March 2011.
- **MHACs:** HSCRC staff will recalculate and reissue MHACs using Q4 final discharge data.
- **Exclusions and trims:** HSCRC staff will utilize the Q4 final discharge data for exclusions and trims related to calculating the CMI, determining compliance, and issuing rate orders.
- **Case mix governor:** As announced at the September Commission meeting, HSCRC staff will not impose an inpatient case mix governor for rate year FY 2012. Pending results from our outpatient analysis, HSCRC staff also anticipates no case mix governor for outpatient.

If you have any questions regarding this memo, please email Mary Pohl, Deputy Director - Research and Methodology, at mpohl@hsrc.state.md.us.