



Maryland
Hospital Association

June 2, 2016

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

Dear Chairman Sabatini:

With your critical decision on hospitals' global budget update for fiscal year 2017 coming in less than a week, we wanted to make sure you had some important new information about why Maryland is well on track to meet the Medicare Total Cost of Care guardrail, which would allow for the higher MHA-proposed update of 2.75 percent *without jeopardizing the total cost of care spending guardrail* in calendar year 2016.

The information below is conclusive: Maryland is besting the total cost of care spending guardrail so far this year; the historical data clearly suggest that the hospital rate increase doesn't harm that performance in the second half of the year; the historical data also indicate that we *improve* on our total cost of care performance over the second half of the year.

With the most recent Medicare Chronic Conditions Warehouse (CCW) data made available just last week, Maryland currently has information for calendar year 2016 for claims processed through April 30, 2016. Staff are likely to share this data with you before the June 8 meeting, but because concern about total cost of care guardrails has been at the center of the update discussion, we wanted to bring it to you as soon as possible. Here is what that data show:

Medicare savings are even higher than expected

Maryland Medicare spending per beneficiary *hospital* savings has grown by an additional **\$74 million**, bringing the cumulative savings to date to \$325 million. With more than 2½ years to go, we will clearly exceed the minimum savings requirement of \$330 million, with the savings rate so far this year exceeding that of the first two years of the all-payer model.

Maryland's total cost of care growth is less than the nation's

Maryland Medicare spending per beneficiary *total cost of care* growth so far this year has been *less than the national growth rate by 0.75 percentage points*. The test this year required that Maryland not exceed the national growth and the new data suggest we are on track.

Historically, spending slows in the second half of the year

Data for the past three years show that *both Medicare hospital spending AND total cost of care spending* per beneficiary have been *less* in the second half of the year than the first half of the calendar year, *even with the HSCRC hospital rate increase being put into effect in July*. That

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is, the seasonality of spending has historically offset the full impact of hospital rate increases in the second half of the calendar year.

Maryland spending declined more rapidly than national spending

Data for the past three years show that Maryland actually spends increasingly less relative to the national growth rate in the second half of the calendar year for *both hospital and total cost of care spending*.

The data and trending revealed by this latest information provides a solid basis for your support of MHA's update proposal of 2.75 percent.

If you have any questions on the attached information please do not hesitate to contact me. We look forward to your consideration of this critical information as part of next week's commission action on the update to global budgets for fiscal year 2017.

Sincerely,



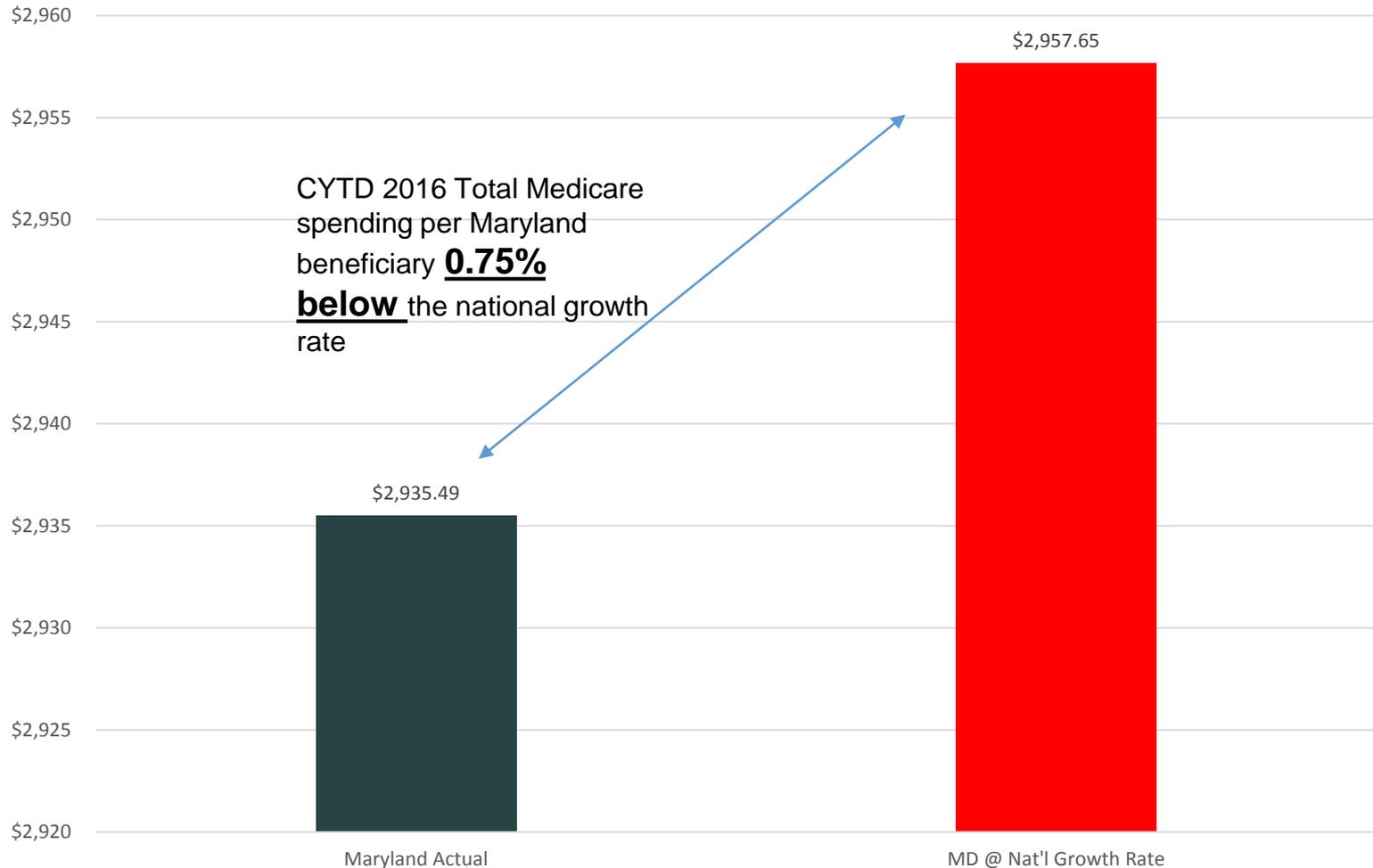
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Enclosure

Medicare Total Spending per Beneficiary

Maryland vs. National Growth Ceiling
CYTD April 2016



Medicare Hospital Spending per Beneficiary

Maryland vs. National Growth Ceiling
CYTD April 2016

