



Maryland
Hospital Association

March 5, 2018

To: The Honorable Shane Pendergrass, Chair
House Health and Government Operations Committee

From: Maansi K. Raswant, Director, Policy & Data Analytics
Jennifer Witten, Director of Government Relations
Maryland Hospital Association

Re: Letter of Information: HB1516, HB660

Dear Chair Pendergrass:

On behalf of the Maryland Hospital Association's (MHA) 64 member hospitals and health systems, we appreciate the opportunity to comment on multiple proposals related to health insurance protection. Hospitals believe that patient-centered, quality, and efficient care depends on broad-based health care coverage. We appreciate the opportunity to work with legislators to determine the best course of action for the state to ensure Marylanders continue to have coverage and access to health care.

The All-Payer Model is a *demonstration*, and Maryland's hospitals are the first in the nation to attempt to transform care delivery while at the same time continuing to provide comprehensive care for people with the most serious health needs. No other state is doing what Maryland is, and care transformation has never been tested on such a large scale anywhere else. For the past four years, hospitals have experimented with new strategies and partnerships to change how care is delivered. As the federal government deliberates on a one-year extension for the current model, the State of Maryland continues to advocate and negotiation for a 10-year model that could begin as soon as next year.

At this sensitive juncture, it's critical that we show unified state support of our model to the federal government.

To support the waiver, the state can do a few important things: maintain or expand the proposed reduction in the hospital Medicaid sick tax, avoid additional hospital taxes, and seriously consider the impact on the model when considering policy responses that would increase the cost of health care, which hospitals are required to keep in check to maintain the waiver.

Hospitals' Commitment to Delivering Care and Affordability of Care

The two fundamental questions facing the health care world continue to be: 1) How will health care be paid for? and 2) How will health care be delivered?

In Maryland, hospitals have been providing concrete, sustainable answers to both of these questions for more than four years. Under the waiver, hospitals have been improving quality and controlling costs, all while solely holding the risk for the model's success or failure.

Put another way, hospitals have been doing more than their part in transforming Maryland's health care system into a model of access and efficiency. This work has resulted in new models of care to meet the unique needs of communities, expanded access to services, and patients being directed to the right care setting, which is not always the hospital. Hospitals have:

- Reduced uncompensated care by 36 percent, resulting in \$170 million in savings to commercial payers
- Held average annual hospital rate increases to a below-inflation 1.8 percent
- Helped avoid cost-shifting among payers, meaning that Maryland's commercial payers pay 107 percent of the cost of care compared to 140 percent nationally
- Provided \$250 million in shared savings rate reductions to commercial payers

What's Next

Maryland's hospitals know firsthand the importance of broad-based, continuous coverage. This coverage, brought about by the confluence of the All-Payer Model and the Affordable Care Act, is essential to the waiver's survival; without it, our state would not have been able to achieve the significant cost-savings and health care quality improvements realized over the past four-plus years. A few of these accomplishments:

- Readmissions are down 13 percent
- Inpatient admissions are down more than 8 percent
- Hospital-acquired conditions are down nearly 50 percent

Ensuring the broad-based coverage necessary to maintain the waiver isn't easy to achieve and we understand that legislative leaders must consider all options. Inherent in every proposal currently on the table to stabilize the commercial market is the assumption that the All-Payer Model will continue. As you consider legislation, we encourage you to evaluate the impact on the All-Payer Model. Any additional costs for the health care system actually increase the risk that the model will fail. This is why the state must exercise extreme caution in its approach to maintaining and increasing access to health care coverage – the very foundation of our unique and respected model.