



Discussion Document of Selected Transition Policies  
for Maryland All-Payer Model  
Educational Materials

*October 16, 2013*

**Maryland Health Services Cost Review  
Commission**



# Agenda

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- I. Transitional policies for I/I
  - ▶ Monitoring revenue growth limits
  - ▶ Transitional reimbursement models
  - ▶ Modification to Variable Cost Factor
  - ▶ Volume Governor
  - ▶ Overage Policy
  - ▶ Enhanced Monitoring and Disclosures
  - ▶ Uncompensated care/ACA impact

# Policy Drafts

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- ▶ HSCRC staff will be introducing policy drafts for comment and Commissioner consideration
- ▶ Policies are not effective until approved by the Commissioners
- ▶ Policy will be released for public comment at upcoming HSCRC meeting with draft circulated in advance through MHA/payers, others

# Revenue growth limits

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- ▶ **Monitor 3.58% Per Capita All Payer Limit**
  - ▶ Gross revenue for Maryland residents in Maryland Hospitals-All Payer Regulated
    - ▶ Base year of calendar year 2013
    - ▶ From historic FS data to be submitted November 15 (breaks out in state and out of state by month)
  - ▶ Population Growth from Department of State Planning
  - ▶ Limit = Base Revenue for Maryland residents in Maryland Hospitals X 1.0358 (Growth Limit) X ~1.006 (Population Growth)
  - ▶ Use first 6 months of CY 13 (as adjusted) to monitor and change based on final CY 13 actual results as necessary

# Approach for January 1- Transitional Hospital Revenue Model Modifications

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- ▶ Approaches in place effective January 1 that assure hospital revenues within the maximum requirements for 2014
- ▶ Use existing frameworks with some modifications to allow for transitional changes effective January 1
  - Modified global budget framework used in Total Patient Revenue agreements with fixed total allowed revenue
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- Existing charge-per-episode structure with lower variable cost factor applied prospectively, and a volume governor(s) to reduce allowed revenue if maximum revenue targets are exceeded
- ▶ Add incentives/requirements for reducing avoidable volumes no later than July 1
- ▶ Revenue for non-Maryland residents have regulated rates and performance requirements but excluded from maximum calculations and volume policies

# Transitional Variable Cost Factor Modifications

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## Proposed Policy Effective 1/1/2014

- ▶ Policy-Transition from Volume to Value, Revenue within Limit
- ▶ Reduce from 85% variable to 50% variable
- ▶ Concurrent volume adjustment—in effect for current fiscal year—need to adjust charges in current year
  - ▶ Change from current approach that adjusts volume in subsequent year
- ▶ HSCRC staff (Jerry, Ellen, Dennis) working with on price compliance strategy and corridors

## Proposed Policy Exceptions

- ▶ New Germantown Hospital not subject to policy for reasonable period of time (to open in fall 2014)
- ▶ Out-of-state volume considerations

# Volume Governor

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- ▶ Assures that the limits of HSCRC policy and the All-Payer model are not exceeded
- ▶ Similar to case mix governor
- ▶ Applied to CPC/CPE hospitals only for Maryland residents
- ▶ Make midcourse adjustment if necessary
  
- ▶ Proposed volume governor for 1/1/14-6/30/14
  - ▶ Level I--Case mix governor of .5%
  - ▶ Level II--Total volume governor (incl. .5% case mix) at ~2% to 2.5%, (annual) depending on population growth areas in CPC
  - ▶ Once volumes reach 2%-2.5%, increase, scaled back proportionately
  - ▶ Effectively limits revenue for volume increase overall to 1% to 1.25%

# Overage

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- ▶ Unforeseen
- ▶ Make midcourse adjustment if necessary
- ▶ If occurs, prorate over hospital's revenues as prospective adjustment.



# Uncompensated Care/ACA Impact

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- ▶ Adjustment on July 1, 2014 for estimated impact of Medicaid enrollment on uncompensated care
- ▶ Call for white papers/analysis
  - ▶ UCC formula needs to be reformulated
  - ▶ Predictive factors appear to be changing—Medicaid as predictor may be weakened
  - ▶ Three year average an issue
  - ▶ Concentrations of immigrant populations not eligible for Medicaid or exchange subsidies to be addressed
- ▶ Monitoring of exchange enrollment
  - ▶ Need time to assess impact on bad debts, both positive and negative factors
- ▶ Evaluate volume increases from expansion, if any

# Enhanced monitoring and disclosure

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- ▶ **Monthly monitoring of price and volume variance**
  - ▶ Vs prior year
  - ▶ Vs approved budget (spread across year)
  - ▶ Monitoring and reporting of readmission progress, interhospital and intrahospital
  - ▶ Closer monitoring of MHACs
- ▶ **Refocus disclosures in public meetings on:**
  - ▶ Total cost of care
  - ▶ Hospital-specific, regional reporting
- ▶ **More interaction with HSCRC staff on variances and financial progress**

# Comments on Policies

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- ▶ Will release policy draft early next week
- ▶ Focus on providing comments as quickly as possible through MHA. HSCRC has open process for comments through email to [dennis.phelps@maryland.gov](mailto:dennis.phelps@maryland.gov).
- ▶ Policies through July 1 or until changed
- ▶ Work Groups after January 1
- ▶ Call for white papers

# Call for White Papers / Technical Analysis

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1. Service area/Market share
2. Attribution
3. Potentially Avoidable Volumes
4. Variable Cost Factor
5. Physician Shared Savings Models/ P4P with Hospital
6. Efficiency Measurement
7. Payment for Quality
8. Payment Models for Population based/global approaches
9. Uncompensated Care Models

**QUESTIONS?**  
**COMMENTS**