The Case for a Higher Hospital Global Budget Update …

… and Two Easy Steps to Get There

- **Maryland's hospitals need a modest 1.12 percentage point increase to the HSCRC staff-recommended update.** The HSCRC staff recommendation for hospitals' fiscal year 2017 global budget update would provide to all hospitals, on average, a total revenue increase of just **1.2 percent** (0.60 percent per capita compared to the one-year ceiling of 3.58 percent per capita). This is inadequate to cover the increased costs of caring for patients (such as workers' wage increases, operations, care improvement and community investment).

- **The addition can be made without encroaching on HSCRC staff's Medicare total cost of care cushion.** MHA's proposal yields cumulative all-payer spending growth through fiscal year 2017 of 7.5 percent per capita, far below the 13.1 percent ceiling. Current Medicare spending data indicate that Maryland's hospitals will underspend the national growth in Medicare spending per beneficiary even after MHA's proposed update.

- **Constraining funding now would jeopardize the success hospitals and the state have had** in not only meeting the goals of the waiver, but impressively surpassing them.

- **A too-low update would call into question the state's support for the demonstration** and undermine the cooperative balance that has been the tradition of the waiver itself. It also could cause other stakeholders – those needed to make total cost of care work – to think twice about participating in potential next steps of the waiver.

- **MHA's proposed 1.12 percentage point increase can be added in two simple ways:**

    a) **Remove the proposed forecast error adjustment.** Applying the staff-proposed inflation adjustment now, for the first time, reduces the update from 2.49 percent to 1.72 percent while ignoring years in which inflation was underestimated and hospital rates should have been increased. This is arbitrary, and fosters system instability and unpredictability.

    b) **Remove the Prevention Quality Indicator (PQI) component of the Potentially Avoidable Utilization adjustment, and, accordingly, reduce by 0.45 percent the amounts to be provided as shared savings.** The higher proposed shared savings adjustment sets an expectation that hospitals will reduce PQIs and readmissions by a combined *11 percent in a single year*. That is both unrealistic and unachievable; in the last two years, the annual reduction averaged three percent. No other demonstration in the nation has shown a one-year reduction of the magnitude proposed. Further, The Agency for Healthcare Research and Quality specifically does not recommend the use of PQIs for payment purposes.