Maryland
Hospital Association

In support of the hospital field's position on the rate year 2019 annual global budget update, we encourage you to send a letter to HSCRC Chairman Nelson Sabatini. Below are four key messages that we suggest you include. (Letters should be addressed to Chairman Nelson Sabatini, with copies to each of the commissioners along with Executive Director Donna Kinzer.) MHA's comment letter is outlined below. If you have any questions, please call Brett McCone at 410-540-5060.

- **The proposed update is less than the cost of caring for patients:** Average hospital revenue growth, less unforeseen adjustments and categorical exclusion growth, is 2.33 percent, which is less than the update market basket of 2.68 percent. More than price inflation, this is *total allowable revenue growth*, including price and volume. Nationally, Medicare provides price inflation but has no limit on volume growth. Maryland's hospitals compete in the national market for scarce resources, including supplies, drugs, and important staffing resources.
- **Care transformation:** Highlight the care transformation activities from your hospital/health system. Explain the hard work of driving provider alignment and the need for resources to invest in, and expand upon, these activities.
- **Potentially avoidable savings adjustments exceed infrastructure adjustments:** Hospitals received just over 1 percent in infrastructure adjustments, yet staff propose to offset 1.75 percent in total shared savings adjustments. This effectively means that hospitals are self-funding all transformation activities. It is extremely challenging to take on additional responsibilities – care redesign activities, primary care investments, etc. – with limited resources.
- **The Maryland system is a per capita revenue model:** Prior to the All-Payer Model, the commission stringently regulated prices but did not have strong incentives to limit potentially avoidable use. These incentives have changed and Maryland's hospitals have demonstrated strong performance through the first four years of the model – well below the all-payer ceiling and over $900 million in cumulative hospital savings. We need reasonable *revenue* updates to sustain this performance.

MHA Letter outline

- Executive committee positions: request an increase to draft recommendation of 0.5 percent; exclude JHH/UMMC funding from the annual update
- Additional cushion in the commission staff's national Medicare payment projection – 2019 IPPS update, large national Medicare hospital growth in fourth quarter of 2018, 0.48 percent cushion built into projection, etc.
- PAU savings adjustment exceeds infrastructure investments
- Maryland is an all-payer state, yet we are limited by Medicare growth - GBR mechanics offsetting Medicare per beneficiary utilization savings

- Medicare Performance Adjustment (MPA) is in effect in calendar year 2018, providing incentives to manage total cost of care at a hospital-specific level
- Prior year base period affects Maryland's total cost of care guardrail; Years one and three very favorable (low base), followed by growth in years two and four (high base); following the pattern, expect year five to be favorable