Global Budget Revenue FAQ

What is the GBR?

Maryland hospitals are paid under a unique methodology called Global Budget Revenue (GBR). Under GBR, the Health Services Cost Review Commission (HSCRC) fixes each hospital's total annual revenue at the beginning of a fiscal year regardless of the number of patients served or the amount of services provided. Prices for individual services are dynamic—they may rise or fall throughout the fiscal year to meet the revenue targets set by the HSCRC.

How is a hospital's GBR set?

1. HSCRC first establishes a hospital's baseline revenue using historical data
2. The baseline revenue is adjusted annually to account for inflation, population changes, hospital efficiency, changes in payer mix and service levels, market share, and other influences beyond hospitals' control
3. HSCRC publishes an update, or inflation, factor that adjusts all acute care hospitals' revenue budgets before each fiscal year

Does a hospital's quality performance affect its annual revenue?

Yes. A hospital's annual revenue may vary from the GBR by up to several percentage points based on its scores in HSCRC quality programs. Existing quality programs include:

- Maryland Hospital Acquired Conditions Initiative
- Quality Based Reimbursement Program
- Readmission Reduction Incentive Program
- Potentially Avoidable Utilization Savings Policy

Do other states use GBR?

Global budgets have been piloted in some hospitals in rural Pennsylvania as part of a federal demonstration project. All other U.S. hospitals are subject to federal Medicare price schedules and state Medicaid payment rates, and they negotiate rates with commercial payers. Their total revenues rise or fall based on the volume of services they deliver. In Maryland, hospitals are not paid more to do more and operate under the fixed budget set by HSCRC.

Do different payers pay different prices for the same service at a given hospital?

Maryland's hospital payment system is called an "all-payer" system because all payers pay the same price for each service at each hospital. Public payers (Medicare and Medicaid) do pay slightly lower prices than commercial payers—but that gap is minor compared other states. Across the U.S., on average, commercial payers pay about 60% higher prices than public payers for the same services, while in Maryland it is just 7.7%.

Are all medical services included under the GBR?

Inpatient and outpatient services delivered at a hospital are included in the GBR. Physician services in a doctor's office, outpatient prescription drugs, post-acute care, and long-term care, for example, are not included.

Is a hospital's GBR separate from their community benefit?

No. All hospital expenses, including those defined as community benefit and reported to HSCRC and the Internal Revenue Service are paid under the fixed budget of GBR. There is no additional money for community benefit spending.

Why did Maryland adopt the GBR?

The GBR was introduced as part of the All-Payer Model demonstration contract entered by the Centers for Medicare & Medicaid Services (CMS) and Maryland in 2014. According to HSCRC, GBR is a revenue constraint system designed to give hospitals financial incentives to address the three aims of better care, better health, and lower cost of care for all Marylanders. In 2019, CMS and Maryland built upon the All-Payer Model, launching the Maryland Total Cost of Care Model (TCOC), which retains the GBR and adds incentives for hospitals to help control spending on services delivered by other providers, from physicians to skilled nursing facilities.

More information about the TCOC Model is available from the Maryland Hospital Association.