Maryland
Hospital Association

June 7, 2024

Dr. Jon Kromm
Executive Director
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215

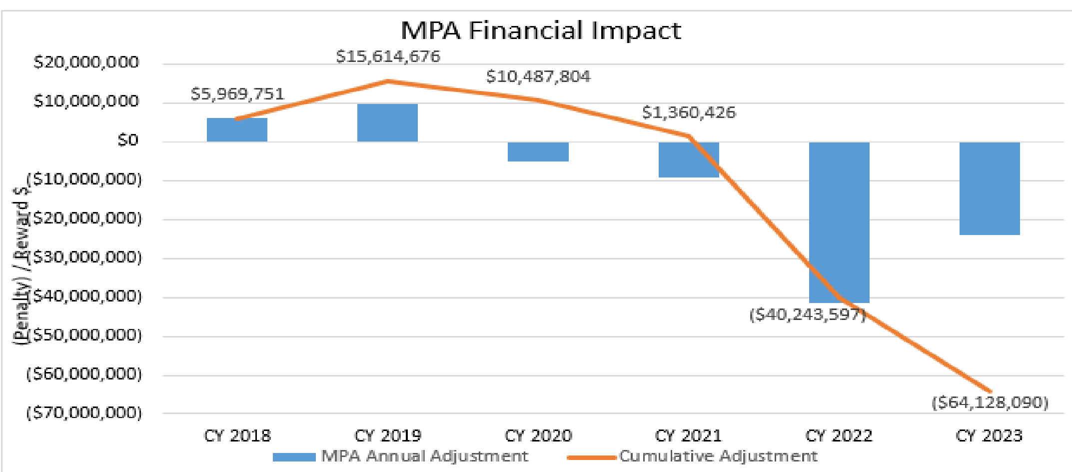
Dear Dr. Kromm:

On behalf of the Maryland Hospital Association (MHA) and its member hospitals and health systems, I am providing feedback on the recently released results of the Medicare Performance Adjustment (MPA) for rate year (RY) 2025, based on calendar year (CY) 2023 performance.

As highlighted by several of our members during the May meeting of the Total Cost of Care (TCOC) Workgroup, the hospital field continues to have significant concerns with the disconnect between MPA results and the Medicare savings being generated far in excess of the contractual target. From a policy perspective, these two measurements should be synonymous or at least significantly aligned. The most recent results demonstrate the complete opposite.

For CY 2023, Maryland exceeded the Medicare savings contractual target by over $190 million. During this same period, based on data recently shared by Health Services Cost Review Commission (HSCRC) staff, Maryland hospitals incurred a statewide penalty in the MPA of approximately $24 million. Cumulatively, the MPA generated over $64 million in savings since CY 2018 while the state continues to overperform against the target.

Figure 1: MPA Financial Impact, CY 2018-2023



Although MHA recognizes the savings target and MPA are measured using different data sets and cohorts of Medicare beneficiaries, historically the results have been similar. However, beginning with CY 2022 the performance results vary significantly. As a result, the MPA policy is producing significantly different and conflicting results from TCOC savings.

Figure 2: Data Sets and Beneficiaries, MPA vs. Savings Test

	MPA	TCOC Savings
Beneficiaries	Part A and Part B Only (85%)	All Beneficiaries
Non-Claims	MDPCP	MDPCP and National Equivalent of MDPCP
Exclusions	Suppressed Substance Abuse Costs and Winsorization	None
Risk Adjustment	Demographic Risk Adjustment	None
Source	CCLF	Claims

These conflicting answers generate confusion as to the results being achieved and the interventions and investments needed to sustain them and fail to demonstrate a clear link between hospital behavior and financial incentives or penalties. This disconnect and lack of clear a link between action and outcome is even more concerning given the decision to double the financial risk under the MPA for the CY 2024 performance period.

MHA and its members continue to advocate for policies that align with the overarching goals of the TCOC Model and that promote clear lines of accountability. We would encourage HSCRC to change the methodology so it consistently aligns with the results achieved under the savings target, providing financial rewards to hospitals when the target has been achieved or exceeded and penalizing hospitals when the savings goals have not been met.

Thank you for the opportunity to provide comments on this important issue. If you have any questions, please do not hesitate to contact me.

Sincerely,

Patrick D. Carlson
Vice President, Healthcare Payment