



Maryland
Hospital Association

Dec. 6, 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 writing to comment on the Health Services Cost Review Commission (HSCRC) draft recommendation to shift the current CDS-A drug funding policy to a 100% volume-based funding model.

MHA supports the proposed policy change, which aims to more accurately reflect actual acquisition costs for high-cost drugs. We support the proposed alternative option that would allow hospitals to access an interim update in the current fiscal year, on March 1, based on projected spending. This approach supports financial stability by aligning cost increases with the corresponding revenue within the same fiscal year. HSCRC should consider whether a percentage-based threshold, rather than a dollar amount threshold, would be more appropriate for determining access to an earlier interim update for smaller hospitals.

Before finalizing the policy, MHA asks that HSCRC address the following proposed policy elements to ensure it is effective and implementable.

- **Penalties for Not Meeting Target Goals.** Clarification is needed regarding the drug cost target goals and assessment of penalties if hospitals do not meet the target based on findings in a new annual report. The proposal suggests that an erosion in the efficiency of Maryland spending from 2023 levels would be the basis for assessing a penalty. Under the proposal, global budget revenue (GBR) reductions “equal to 20% of CDS-A spending” would be assessed on a statewide, regional, or hospital basis. The proposal also states that penalties would be assessed to hospitals not meeting target goals “up to 20% of drug cost.” As proposed, there is uncertainty about whether the penalty would be calculated as up to 20% of the specific drug cost that is off target or as a reduction in the GBR equal to 20% of all CDS-A spending. Additionally, we request more details on how these penalties will be assessed, including whether they will apply to specific drugs or drug classes and how they will be allocated at the statewide, regional, or hospital level, and urge the HSCRC to outline the specific metrics and criteria a consultant will use to evaluate utilization efficiency under the new reporting requirement for CDS-A drugs.
- **Drug Charge Tiering Oversight.** During the November HSCRC public meeting, the need for drug tiering oversight was discussed. We ask for clarification on the

requirements for tiering drug overhead costs and how tiering expectations will align with current drug charges and cost requirements. Tiering requirements must be clear before implementing any evaluation or other oversight measure.

- **Proactive Drug Review.** A suggestion was made to implement a proactive drug review process to assess the clinical efficacy and value of high-cost drugs before approving them for funding under the policy for CDS-A drugs during the November HSCRC meeting. Hospitals are in the best position to perform this type of evaluation through pharmacy and therapeutics committees and other processes already in place to ensure high-value drugs.
- **Operational Considerations.** MHA encourages HSCRC to consider practical operational implications to ensure smooth implementation of this policy. Specifically, we request clarification on how rate center adjustments will be made under the new policy.

In conclusion, we support the transition to a 100% volume-based funding approach for CDS-A drugs. We look forward to working with HSCRC to ensure that the policy appropriately funds and provides access to high-cost drugs in a manner that can be easily operationalized.

We appreciate the opportunity to provide feedback on this important matter. Should you have any questions, please feel free to reach out to me.

Sincerely,



Patrick D. Carlson
Vice President, Health Care Payment

cc: Dr. Laura Herrera-Scott, Secretary, Maryland Department of Health
Dr. Joshua Sharfstein, Chair
Dr. James Elliott
Ricardo Johnson
Dr. Maulik Joshi
Adam Kane
Nicki McCann
Dr. Farzaneh Sabi