

**NOTICE OF WRITTEN COMMENT PERIOD**

Notice is hereby given that the public and interested parties are invited to submit written comments to the Commission on the staff draft recommendation that will be presented at the November 14, 2018 Public Meeting:

- 1) Draft Recommendation on the Population Health Workforce Support for Disadvantaged Areas Program
- 2) Draft Recommendation for Adjustment to the Payer Differential
- 3) Draft Recommendation on Updates to the Quality-Based Reimbursement (QBR) Policy for RY 2021

**WRITTEN COMMENTS ON THE AFOREMENTIONED STAFF DRAFT RECOMMENDATIONS ARE DUE IN THE COMMISSION'S OFFICES ON OR BEFORE NOVEMBER 21, 2018.**

**State of Maryland  
Department of Health**

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**556th MEETING OF THE HEALTH SERVICES COST REVIEW COMMISSION**

**November 14, 2018**

**EXECUTIVE SESSION**

**11:30 a.m.**

(The Commission will begin in public session at 11:30 a.m. for the purpose of, upon motion and approval, adjourning into closed session. The open session will resume at 1:00 p.m.)

1. Discussion on Planning for Model Progression – Authority General Provisions Article, §3-103 and §3-104
2. Update on Administration of Model - Authority General Provisions Article, §3-103 and §3-104

**PUBLIC SESSION**

**1:00 p.m.**

1. Review of the Minutes from the Public Meeting and Executive Session on October 10, 2018

2. New Model Monitoring

3. Docket Status – Cases Closed

2454A – MedStar Health	2455A – Johns Hopkins Health System
2456A – University of Maryland Medical Center	2457A – Johns Hopkins Health System

4. Docket Status – Cases Open

2452A – Johns Hopkins Health System	2453A – MedStar Health
2458A – University of Maryland Medical Center	2459A – Maryland Physicians Care
2460A – University of Maryland Medical Center	2461A – University of Maryland Medical Center
2462A – University of Maryland Medical Center	2463A – University of Maryland Medical System

5. Final Recommendation on the Medicare Performance Adjustment for RY 2021

6. Presentation by Baltimore Population Health Workforce Collaborative

7. Draft Recommendation and FY 2017 & 2018 Report on Population Health Workforce Support for Disadvantaged Areas Program

8. Draft Recommendation for Adjustment to the Payer Differential

9. Draft Recommendation on Updates to the Quality-Based Reimbursement (QBR) Policy for RY 2021

10. Presentation on Recalibrating Funding under Population-Based Revenue Model

- a. **Funds Associated with Shifts of Services from Regulated to Unregulated Settings**
- b. **High-Cost Outlier Hospital Spenddowns – University of Maryland Midtown**

**11. Policy Update and Discussion**

- a. **Update from Executive Director**
- b. **Medicare Advantage Sequestration**
- c. **Commissioner Discussion of Capital Funding Considerations under the TCOC Model**

**12. Legal Report – Proposed Regulation Amendment COMAR 10.37.10.26**

**13. Hearing and Meeting Schedule**

## New Model Monitoring Report

The Report will be distributed during the Commission Meeting

## Cases Closed

The closed cases from last month are listed in the agenda

H.S.C.R.C's CURRENT LEGAL DOCKET STATUS (OPEN)

AS OF NOVEMBER 5, 2018

- A: PENDING LEGAL ACTION :
- B: AWAITING FURTHER COMMISSION ACTION:
- C: CURRENT CASES:

Docket Number	Hospital Name	Date Docketed	Decision Required by:	Rate Order Must be Issued by:	Purpose	Analyst's Initials	File Status
2452A	Johns Hopkins Health System	9/6/2018	N/A	N/A	ARM	AP	OPEN
2453A	MedStar Health	9/6/2018	N/A	N/A	ARM	AP	OPEN
2458A	University of Maryland Medical Center	10/1/2018	N/A	N/A	ARM	DNP	OPEN
2459A	Maryland Physicians Care	10/1/2018	N/A	N/A	ARM	DNP	OPEN
2460A	University of Maryland Medical Center	10/15/2018	N/A	N/A	ARM	DNP	OPEN
2461A	University of Maryland Medical Center	10/15/2018	N/A	N/A	ARM	DNP	OPEN
2462A	University of Maryland Medical System	10/15/2018	N/A	N/A	ARM	DNP	OPEN
2463A	University of Maryland Medical System	10/15/2018	N/A	N/A	ARM	AP	OPEN

PROCEEDINGS REQUIRING COMMISSION ACTION - NOT ON OPEN DOCKET

NONE

**IN RE: THE APPLICATION FOR  
ALTERNATIVE METHOD OF RATE  
DETERMINATION  
UNIVERSITY OF MARYLAND  
MEDICAL CENTER  
BALTIMORE, MARYLAND**

\* **BEFORE THE MARYLAND HEALTH  
SERVICES COST REVIEW**  
\* **COMMISSION**  
\* **DOCKET: 2018**  
\* **FOLIO: 2270**  
\* **PROCEEDING: 2460A**

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**Staff Recommendation**

**November 14, 2018**

## **I. INTRODUCTION**

The University of Maryland Medical Center (“the Hospital”) filed a renewal application with the HSCRC on October 15, 2018 for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The Hospital requests approval from the HSCRC for participation in a new global rate arrangement for solid organ and blood and bone marrow transplant services with Humana for a one-year period, effective December 1, 2018.

## **II. OVERVIEW OF APPLICATION**

The contract will continue be held and administered by University Physicians, Inc. (UPI), which is a subsidiary of the University of Maryland Medical System. UPI will manage all financial transactions related to the global price contract including payments to the Hospital and bear all risk relating to regulated services associated with the contract.

## **III. FEE DEVELOPMENT**

The hospital component of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

## **IV. IDENTIFICATION AND ASSESSMENT OF RISK**

The Hospital will continue to submit bills to UPI for all contracted and covered services. UPI is responsible for billing the payer, collecting payments, disbursing payments to the Hospital at its full HSCRC approved rates, and reimbursing the physicians. The Hospital contends that the arrangement between UPI and the Hospital holds the Hospital harmless from any shortfalls in payment from the global price contract. UPI maintains that it has been active in similar types of fixed fee contracts for several years, and that UPI is adequately capitalized to the bear risk of potential losses.

## **V. STAFF EVALUATION**

Although there has been no activity under this arrangement in the last year, staff believes that the

Hospital can achieve a favorable experience under this arrangement.

## **VI. STAFF RECOMMENDATION**

Staff recommends that the Commission approve the Hospital's application for an alternative method of rate determination for solid organ and blood and bone marrow transplant services for a one year period beginning December 1, 2018.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospital for the approved contract. This document would formalize the understanding between the Commission and the Hospital, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**IN RE: THE APPLICATION FOR  
ALTERNATIVE METHOD OF RATE  
DETERMINATION  
UNIVERSITY OF MARYLAND  
MEDICAL CENTER  
BALTIMORE, MARYLAND**

\* **BEFORE THE MARYLAND HEALTH  
SERVICES COST REVIEW  
COMMISSION**  
\* **DOCKET: 2018**  
\* **FOLIO: 2271**  
\* **PROCEEDING: 2461A**

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**Staff Recommendation**

**November 14, 2018**

## **I. INTRODUCTION**

The University of Maryland Medical Center (“the Hospital”) filed an application with the HSCRC on October 15, 2018 for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The Hospital requests approval from the HSCRC to continue to participate in a global rate arrangement for solid organ and blood and bone marrow transplant services with INTERLINK for a period of one year, effective December 1, 2018.

## **II. OVERVIEW OF APPLICATION**

The contract will continue to be held and administered by University Physicians, Inc. (UPI). UPI will manage all financial transactions related to the global price contract including payments to the Hospital and bear all risk relating to regulated services associated with the contract.

## **III. FEE DEVELOPMENT**

The hospital component of the global rates was developed by calculating mean historical charges for patients receiving like procedures. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

## **IV. IDENTIFICATION AND ASSESSMENT OF RISK**

The Hospital will continue to submit bills to UPI for all contracted and covered services. UPI is responsible for billing the payer, collecting payments, disbursing payments to the Hospital at its full HSCRC approved rates, and reimbursing the physicians. The Hospital contends that the arrangement among UPI, the Hospital, and the physicians holds the Hospital harmless from any shortfalls in payment from the global price contract. UPI maintains it has been active in similar types of fixed fee contracts for several years, and that UPI is adequately capitalized to the bear the risk of potential losses.

## **V. STAFF EVALUATION**

Although there has been no activity under this arrangement in the last year, staff believes that the

Hospital can achieve a favorable experience under this arrangement.

#### **V I. STAFF RECOMMENDATION**

Staff recommends that the Commission approve the Hospital's application to continue to participate in an alternative method of rate determination for solid organ and blood and bone marrow transplant services with INTERLINK for a one year period commencing December 1, 2018. Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospital for the approved contract. This document would formalize the understanding between the Commission and the Hospital, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

## **Final Recommendation for the Medicare Performance Adjustment (MPA) Policy for Rate Year 2021**

November 14, 2018

Health Services Cost Review Commission  
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## PROPOSED COMMISSION ACTION

Staff will be asking the Commission to vote on the final MPA recommendation for RY 2021. The final recommendation remains largely unchanged compared to the draft, with the exception of specifying that Maryland Primary Care Program (MDPCP) care management fees will be excluded from the MPA assessment of total cost of care in the RY2021 policy.

## FINAL RECOMMENDATIONS FOR RY 2021 MPA POLICY

- 1) Measure Medicare Total Cost of Care (TCOC) by attributing Medicare fee-for-service beneficiaries to non-hospital providers, primarily based on use of primary care services, and then linking providers to hospitals based on existing relationships.
  - a) Use a hierarchy of Maryland Primary Care Program (MDPCP)-actual, Accountable Care Organization (ACO)-like, PCP-like, and Geographic attribution for beneficiary-to-provider attribution
  - b) Use existing provider-hospital relationships to link providers to hospitals based on a hierarchy of hospital-affiliated Care Transformation Organizations (CTOs), hospital-affiliated ACOs, hospital employment, and provider referral patterns
  - c) Implement official algorithm result review period
- 2) Set the maximum penalty at 1.0% and the maximum reward at 1.0% of federal Medicare revenue with maximum performance threshold of  $\pm 3\%$ .
- 3) Set the TCOC benchmark as each hospital's risk-adjusted (demographics only) TCOC from 2018, updated with a Trend Factor of 0.33% below the national Medicare FFS growth rate for CY 2019. In CY 2019, exclude MDPCP Care Management Fees and Performance-based Incentive Payments, but include Comprehensive Primary Care Payments for Track 2 practices.
- 4) Continue to assess performance on each hospital's own improvement in its attributed population's per capita TCOC
  - a) Adjust for year-over-year changes in the demographic characteristics of the hospital's attributed population
  - b) For future years, continue to explore incorporating attainment and further risk adjustment into the MPA's performance assessment
- 5) Include the MPA as part of the aggregate revenue at risk under HSCRC quality programs.
- 6) Continue to evaluate the MPA throughout the year and consider enhancements for future MPA policies, obtaining input through continued meetings of the TCOC Work Group.
- 7) Provide national Medicare growth rate estimates relative to Maryland throughout the year to help hospitals monitor their progress.
- 8) Continue to work with CMS and CRISP to provide information to hospitals so they can more effectively engage in care coordination and quality improvement activities, assess their

performance, and better manage the TCOC by working in alignment with both independent and affiliated providers whose beneficiaries they serve.

## INTRODUCTION

The State implemented a value-based payment adjustment, referred to as the Medicare Performance Adjustment (MPA), with performance beginning in Calendar Year (CY) 2018. The MPA brings direct financial accountability to individual hospitals based on the total cost of care (TCOC) of Medicare fee-for-service (FFS) beneficiaries attributed to them.

## MEDICARE PERFORMANCE ADJUSTMENT MECHANICS

To calculate the MPA percentage adjustment to each hospital's federal Medicare payments (limited in the second year, RY 2021, to a positive or negative adjustment of no more than 1.0%), the policy must determine the following: an algorithm for attributing Maryland Medicare beneficiaries and their TCOC to one or more hospitals without double-counting; a methodology for assessing hospitals' TCOC performance based on the beneficiaries and TCOC attributed to them; and a methodology for determining a hospital's MPA based on its TCOC performance.

The HSCRC explored potential changes to the MPA based on extensive feedback from the industry and other stakeholders via its Total Cost of Care Workgroup and other meetings. This recommendation reflects valuable insights provided by the work group—which has held regular public meetings over the past two years—as well as analyses by HSCRC contractors LD Consulting and Mathematica Policy Research (MPR), and other communications and meetings with stakeholders.

The key objective of the MPA for Year 2 is to further Maryland's progression toward developing the systems and mechanisms to control TCOC, by increasing hospital-specific responsibility for Medicare TCOC (Part A and B) over time — not only in terms of increased financial accountability, but also increased accountability for care, outcomes, and population health.

### Total Cost of Care Attribution Algorithm

For Year 1 of the MPA, a multi-step prospective attribution method assigned beneficiaries and their costs to Maryland hospitals based primarily on beneficiaries' treatment relationship with a primary care provider (PCP) and that PCP's relationship to a hospital. Based on the Total Cost of Care Work Group's input and discussion, as well as initial Year 1 experience, HSCRC staff recommends keeping the main elements of the existing algorithm, but with some reorganization and a few key new elements. This recommendation focuses on explaining the new or changed components. The appendices provide additional detail.

#### *General algorithm organization and provider-to-hospital consistency*

In response to Maryland Hospital Association comments, staff has reorganized the structure of the algorithm for the RY 2021 policy to first attribute beneficiaries to providers and then link

providers with hospitals, rather than performing the steps simultaneously. This change ensures that each PCP with attributed beneficiaries will be linked with only one hospital, regardless of how a beneficiary is attributed to that PCP. These beneficiaries are attributed to providers based on their use of primary care services. Beneficiaries that cannot be attributed to a provider through MDPCP-actual, ACO-like or PCP-like are attributed directly to a hospital based on geography (that is, where the beneficiary resides). Providers with attributed beneficiaries are linked to hospitals based on existing provider-hospital relationships.

### ***Beneficiary attribution algorithm changes***

#### **Addition of Maryland Primary Care Program (MDPCP)-actual beneficiary attribution.**

With the launch of Maryland Primary Care Program (MDPCP) in January 2019, the TCOC Work Group generally supports alignment between the MPA and MDPCP to further align accountability, improve care, and strengthen physician engagement in controlling Medicare TCOC. To align to this important initiative, staff recommends that beneficiaries are first attributed to PCPs in MDPCP-actual. Beneficiaries' relationships with primary care providers are determined through their use of PCP services, as determined in the MDPCP. Beneficiaries not attributed under MDPCP-actual are then assessed for attribution under the ACO-like and, if necessary, PCP-like, and Geographic attribution based on the beneficiary's zip code of residence compared to each hospital's Primary Service Area-Plus (PSAP).

**ACO-like beneficiary attribution.** Staff recommends no change to the Accountable Care Organization (ACO)-like beneficiary attribution. Under ACO-like, beneficiaries are attributed based on primary care use of clinicians in a hospital-based ACO. Assignment is based on elements of CMS's ACO attribution logic, which assigns beneficiaries to ACOs according to their PCP use, then use of certain specialists if a traditional PCP cannot be identified.

**PCP-like beneficiary attribution.** Staff recommends changing the name of the "MDPCP-like" portion of the algorithm to "PCP-like," but otherwise recommends no changes to this component. Beneficiaries not assigned to providers through the MDPCP-actual or ACO-like methods will then be considered for attribution to providers based on their use of PCP services, as approved in the Y1 MPA policy.

**Geographic attribution.** Staff recommends no changes to this component. Any beneficiaries not attributed through MDPCP-actual, ACO-like, or PCP-like components are attributed using the primary service areas listed in each hospital's global budget revenue agreement, and as well as additional zip codes not claimed in any hospital's primary service area (PSA) based on plurality of hospital utilization and drive time. This approach is also referred to as Medicare PSA-Plus or PSAP.

### ***Provider-to-hospital relationships***

Year 1 of the MPA included recognizing relationships between ACO providers and hospital-affiliated ACOs, as well as a provider's referral patterns. However, many hospitals expressed strong interest in the MPA accounting for additional relationships. For Year 2 of the MPA,

eligible provider-to-hospital relationships begin with MDPCP provider participation with a hospital-affiliated Care Transformation Organization (CTO), followed by ACO provider participation with an ACO-affiliated hospital. If the provider does not participate with a hospital in these programs, providers may be linked with hospitals based on employment. All remaining providers with attributed beneficiaries will be linked to hospitals based on the referral patterns of their attributed beneficiaries, as described below and in the appendices. Throughout the linkage steps, providers participating in an MDPCP practice will be considered together for the purposes of linkage between providers and hospitals. This ensures that all providers in an MDPCP practice are linked with the same hospital, regardless of the method of linking.

**Addition of linkage of MDPCP provider to CTO hospital.** Many hospitals are participating in MDPCP as Care Transformation Organizations that help practices provide high-quality care for their beneficiaries. Because of these significant financial investments, staff recommends adding the relationship between MDPCP practices and hospital-affiliated CTOs as the first linkage under the MPA between providers and hospitals. MDPCP practices participating with a hospital-affiliated care transformation organization will be linked with the corresponding hospital, and all attributed beneficiaries for that practice will be attributed to that hospital. All remaining providers and practices will be assessed for linkage through an ACO.

**Linkage of ACO provider to ACO hospital.** Staff recommends no changes. Remaining providers with attributed beneficiaries not linked under the MDPCP-CTO linkage will be assessed for ACO linkage. Providers participating in an MDPCP practice with a non-hospital affiliated CTO or no CTO will be assessed together as a practice group under this ACO approach. ACO providers participating with a hospital-affiliated ACO will be linked with the corresponding hospital, and all attributed beneficiaries for that provider (regardless of beneficiary attribution method) will be attributed to a hospital. As in the Y1 policy, ACOs with multiple hospitals may designate ACO PCPs to specific ACO hospitals, which will ensure that beneficiaries attributed to those PCPs are attributed to a single hospital; otherwise TCOC will be distributed by Medicare market share (based on federal Medicare FFS hospital payments) of the hospitals in the ACO. All remaining providers and practices will be assessed for linkage based on employment.

**Employment linkage.** Throughout the past year, some hospital stakeholders have expressed that employment represents one of the strongest links between hospitals and providers. HSCRC staff agree that employment allows for easier coordination and sharing of resources, and therefore should be included in the algorithm, but also believe it is crucial to continue encouraging participation in official payment structures with CMS oversight, such as MDPCP or ACOs. In addition, there is no consistent definition of employment agreed to by all hospitals, and HSCRC will have to rely on voluntary submission of hospital lists that cannot be easily validated. To balance these considerations, HSCRC recommends using employment as a voluntary link between providers and hospitals after the MDPCP and ACO-like linkages. Any providers not linked to hospitals through the CTO or ACO linkages may be linked to hospitals based on voluntary hospital-submitted employment lists. HSCRC will accept the Maryland Hospital Association definition of employment as the eligible providers who will receive a W-2 from the hospital or its parent or subsidiary organization for the calendar year preceding the performance

period with full time status. These lists must be submitted to HSCRC by a specified date and represent full-time, fully employed providers with a single hospital/hospital system. Remaining providers participating in an MDPCP practice not linked with hospital-affiliated CTO or ACO will be assessed together as a practice group based on employment.

**Referral pattern linkage.** Remaining providers will be assigned to the hospital from which that provider's attributed beneficiaries receive the plurality of their care, as in the Y1 MPA policy. Remaining providers participating in an MDPCP practice not linked with hospital-affiliated CTO, ACO, or employment will be assessed together as a practice group based on referral pattern.

#### *Review period*

While staff has worked to address some concerns of the TCOC Work Group, no attribution method is perfect. Therefore, staff recommends the implementation of an official algorithm review period. Following the initial running of the attribution algorithm for Year 2, hospitals will have the opportunity to raise concerns about the attribution algorithm output. This period is intended to ensure the attribution algorithm is performing as expected, not as an opportunity to revisit the core elements of the algorithm.

The review period is intended to serve two purposes: (1) identify and correct mechanical errors (e.g., incorrect data submissions); and (2) address specific cases of unintended and misaligned linkages that do not reflect the intent of the MPA policy. For example, in some scenarios, a provider may have significant relationships with more than one hospital. In this case, the hospitals involved may propose to have joint accountability for the total cost of care. In practice, this could result in a portion of the total cost of care attributed to one hospital and the other portion to another hospital. In evaluating any such proposals, HSCRC staff will consider whether the request is reasonable based on the situation and can be implemented into MPA monitoring reports without significant burden. HSCRC staff will work with the TCOC Work Group to determine guidelines associated with review period proposals.

#### *Opportunities for improving linkages/attribution*

Consistent with the Commission's Year 1 MPA final recommendation, HSCRC staff have been working with the TCOC Work Group, the Maryland Hospital Association, and other stakeholders to explore merited changes to the attribution, including attributing providers based on existing physician contractual relationships with hospitals or grouping providers in a practice together. With the start of MDPCP, HSCRC is able to group participating providers in MDPCP practices together throughout the linkage process and ensure providers in an MDPCP practice are linked with the same hospital. Data is limited on extending these approaches outside of MDPCP and analyses performed to date have not revealed a consistent approach that can be consistently applied across hospitals. Staff remain committed to exploring these options with the TCOC Work Group and stakeholders.

## Performance Assessment

For Rate Year 2021, which is the MPA's second year of implementation, hospital performance on Medicare TCOC per capita in the performance year (CY 2019) will be compared against the TCOC Benchmark. The TCOC Benchmark will be the hospital's prior (CY 2018) TCOC per capita, updated by a TCOC Trend Factor determined by the Commission, as described in greater detail below. This approach is a year-over-year comparison, based on each hospital's own improvement. In the case that external events impact hospitals' Medicare TCOC (e.g., changes to the differential or reductions to hospital rates), the HSCRC reserves the right to adjust base year performance to capture those changes and better reflect a hospital's improvement.

The attribution of Medicare beneficiaries to hospitals will be performed prospectively. Specifically, beneficiaries' connection to hospitals is determined based on the two Federal fiscal years preceding the performance year, so that hospitals can know in advance the providers for whom they will be assuming responsibility in the coming performance year. For attribution for Performance Year 2019, data for the two years ending September 30, 2018 will be used. For attribution for Base Year 2018, data for the two years ending September 30, 2017 will be used.<sup>1</sup>

In response to work group concerns around changes in hospital-attributed populations over time, staff is recommending to add risk adjustment to the year-over-year comparison. This risk adjustment will use Medicare New Enrollee Demographic Risk Score.

The total cost of care for a hospital's beneficiaries attributed through all methods will be summed and divided by the total number of beneficiaries attributed to the hospital through those methods to result in a single total cost of care per capita number. The State's objective is to incentivize hospitals and hospital-based physicians/clinicians to work effectively with community-based physicians/clinicians in order to coordinate care and care transitions, provide effective and efficient care, and focus on high-needs beneficiaries.

This policy for RY2021 represents a continuation of an improvement-only methodology. HSCRC staff is not recommending adopting an attainment policy at this time. An attainment policy for the MPA requires consideration of a number of complex issues, such as an appropriate attainment benchmark, intrinsic differences between hospital payment rates (such as labor market differences, Graduate Medical Education payments, etc.), and an appropriate risk adjustment methodology. In addition, staff is concerned about alignment and performance on the State's Medicare TCOC financial tests with the federal government, which are improvement-only, if an attainment policy is adopted. Staff acknowledge stakeholder support for an attainment policy that may help mitigate concerns about penalizing hospitals that have reduced total cost of

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<sup>1</sup> For Base Year 2018 and Performance Year 2019, the algorithm will rely on 2019 ACO lists, MDPCP lists, and employment lists. As a result, each hospital's TCOC performance as assessed for 2018 as the base year will differ from that calculated for 2018 as the performance year, which is based on 2018 ACO lists.

care and explain some variation in spending growth. However, staff believe further discussion and analyses are necessary to implement a responsible and fair attainment policy. HSCRC staff are actively pursuing new options and methodologies for developing benchmarks and are hopeful these efforts will aid in developing an attainment policy. The Total Cost of Care Work Group will continue to discuss attainment as part of its work plan.

### **TCOC Trend Factor**

The MPA for Rate Year 2021, which begins July 2020, will be based on hospital performance on Medicare TCOC per capita in the performance year (CY 2019) compared to its TCOC Benchmark. The TCOC Benchmark will be the hospital's prior (CY 2018) TCOC per capita, updated by the TCOC Trend Factor. Final Medicare TCOC data for the State and the nation for calculating the MPA will be available in May 2020.

Consistent with the RY 2020 policy, HSCRC staff proposes that the TCOC Trend Factor for RY 2021 remains set at 0.33% below the national Medicare FFS growth rate. This is the growth rate calculated as necessary to attain the required Medicare TCOC savings by 2023 under the TCOC Model Agreement with the federal government. Even after being approved by the Commission and CMS, however, the TCOC Trend Factor may be adjusted by the Commission and CMS if necessary to meet Medicare financial tests.

Staff recognizes that some stakeholders have expressed interest in fixing a pre-set Trend Factor prior to the start of the performance period. While this would give hospitals the appearance of greater certainty regarding the targets, a pre-set Trend Factor could result in problems if, for example, the Trend Factor was not set aggressively enough. If actual national Medicare growth was substantially lower than the projections on which the pre-set factor was based, hospitals could receive a reward even if the State had an unfavorable year compared to the nation. Such a scenario could cause concerns with model performance requirements, compelling the Commission to adjust the pre-set Trend Factor after the performance period, resulting in dissatisfaction due to changing expectations.

### ***Accounting for Maryland Primary Care Model (MDPCP) Expenditures***

The Maryland Primary Care Model is designed to provide additional funding and flexibility to primary care practices to invest in care management, population health, and other high value services. Staff propose gradually incorporating MDPCP expenditures into the MPA performance assessment. For CY19 expenditures included in the RY 2021 policy, staff propose the following:

- Exclude Care Management Fees (CMF) and Performance-based Incentive Payments (PBIP).
- Include Comprehensive Primary Care Payments (CPCP) paid quarterly to Track 2 MDPCP practices (approximately 10% of practices that applied), along with the sum of their reduced fee-for-service revenue

For the RY 2022 policy, staff intend to include CMF and PBIP payments in both the base year (CY2019) and the performance year (CY2020). Excluding CMF and PBIP payments in CY19 allows hospitals to be held harmless while this new spending is incorporated into the base year comparison for future rate years.

### ***Special Approaches to Increasing Hospital Accountability***

The University of Maryland Rehabilitation and Orthopedic Institute (UMROI) provides specialized stroke rehabilitation services along with other rehabilitation services to patients from across Maryland. Recognizing UMROI as a unique state resource and the challenges with operationalizing the MPA for UMROI, the HSCRC recommends piloting an episode-based approach to increase the financial and quality accountability for Medicare beneficiaries receiving services at UMROI.

Hospitals also have the opportunity to collectively address TCOC (e.g., leverage regional partnerships or other regional accountability) by opting to have multiple hospitals treated as a single hospital for MPA purposes. This opportunity was formally shared with hospital CFOs in an HSCRC memo dated March 14, 2018, for the RY 2020 policy. The opportunity is also available for RY 2021. Such a combination of hospitals must be agreed to by all the hospitals, must include a regional component, and serve a purpose that is enhanced by the combination. For example, a small system hospital with a very small attributed TCOC may enter a combination with a large, nearby system hospital. In this case, the combination creates a more stable pool for the small system hospital and acknowledges the hospitals' shared service areas and resources. Another possible scenario is a number of hospitals in a particular county joining in a combination option, where they already share resources and infrastructure. (System affiliation without a geographic area will not be accepted as a combination rationale.) Hospitals should submit their request before the Performance Year and cannot be changed once the current Performance Year has begun, except as agreed to by HSCRC.

### ***Medicare Performance Adjustment Methodology***

For each hospital, its TCOC Performance compared to the TCOC Benchmark, as well as an adjustment for quality, will be used to determine the MPA's scaled rewards and penalties. For RY 2021, the agreement with CMS requires the maximum penalty be set at 1.0% and the maximum reward at 1.0% of hospital federal Medicare revenue.

The agreement with CMS also requires that the Maximum Performance Threshold (that is, the percentage above or below the TCOC Benchmark at which the Maximum Revenue at Risk is attained) be set at 3% for RY 2021. Before reaching the RY 2021 Maximum Revenue at Risk of  $\pm 1.0\%$ , the Maximum Performance Threshold results in a scaled result — a reward or penalty equal to one-third of the percentage by which the hospital's TCOC differs from its TCOC target.

In addition, the agreement with CMS requires that a quality adjustment be applied that includes the measures in the HSCRC's Readmission Reduction Incentive Program (RRIP) and Maryland

Hospital-Acquired Infections (MHAC). For RY 2021, staff proposes to continue to use the existing RRIP and MHAC all-payer revenue adjustments to determine these quality adjustments; however, staff recognizes that the Commission may choose to add to the programs used for the quality adjustments over time, to increase the alignment between hospitals and other providers to improve coordination, transitions, and effective and efficient care. Both MHAC and RRIP quality programs have maximum penalties of 2% and maximum rewards of 1%. The sum of the hospital's quality adjustments will be multiplied by the scaled adjustment. Regardless of the quality adjustment, the maximum reward and penalty of  $\pm 1.0\%$  will not be exceeded. The MPA reward or penalty will be incorporated in the following year through adjusted Medicare hospital payments on Maryland Medicare FFS beneficiaries.

With the maximum  $\pm 1.0\%$  Medicare FFS hospital adjustment, staff recommends that the MPA be included in the HSCRC's portfolio of value-based programs and be counted as part of the aggregate revenue at risk for HSCRC quality programs.

### **Comments on Draft RY2021 MPA Recommendation**

HSCRC staff received comments from the Maryland Hospital Association (MHA), Consumer Health First (CHF), MedStar Health, University of Maryland Medical System (UMMS), Johns Hopkins Health System (JHHS), and combined comments from JHHS, UMMS, and MedStar Health.

While there were concerns raised over the risk adjustment approach and requests for additional clarity around MDPCP expenditures, comment letters were generally supportive of the MPA draft recommendation and appreciative of changes made to the attribution algorithm.

#### ***Additional Considerations for the Attribution Algorithm***

Stakeholders expressed broad appreciation for the enhancements to the attribution algorithm. Staff received a few comments from stakeholder recommending small changes to the attribution algorithm (e.g., using ACO-actual provider attribution instead of ACO-like, and moving employment to be the first step in the provider linkage step of the algorithm). Given the different attribution approaches across ACO models, staff recommends retaining ACO-like as it is, which has broader inclusion of additional provider types and allows attribution to remain prospective. At this time, staff recommends monitoring the performance of the attribution algorithm and will continue to consider changes to the attribution algorithm in future MPA design discussions. Staff also recommends having actual MDPCP attribution precede employment relationships, since MDPCP is focused on improving quality and reducing Medicare TCOC, while employment relationships between physicians and hospitals may not reflect the goals of the model.

#### ***Increase Robustness of Risk Adjustment***

Both provider and consumer stakeholders expressed a desire for more robust risk adjustment in calculating TCOC performance. The HSCRC agrees that some level of risk adjustment in the MPA is appropriate, but must be balanced against additional administrative burden and unintended consequences. Differences may be better controlled for in an attainment approach by

use of peer groups rather than risk adjustment, for future MPA performance assessment. The HSCRC staff remain concerned about risk adjusting based on a beneficiary's full diagnostic profile in risk adjustment. Including the full diagnostic profile could lead to increased incentives to intensify coding documentation (potentially with differing levels of execution) and overstate the disease burden of the population and adding administrative burden. The State continues to evaluate approaches to incorporate social determinants of health into the MPA policy in a way that incentivizes hospitals to reduce disparities and improve equity. Approaches may include variables such as racial/ethnic identity and the resources available in a patient's community (e.g., area deprivation index (ADI)). Staff plans on adding additional reporting and analytics to monitor trends in health equity and disparities throughout HSCRC programs. To reflect our commitment to equity, staff updated the guiding principles used to inform the design of the MPA to include equity (Appendix 2, Principle 2.1). Staff welcomes additional thoughts from stakeholders on how to incorporate social determinants in a way that fairly holds hospitals accountable for health care outcomes while incentivizing hospitals to improve equity across their populations.

***Continued Support of Developing an Attainment Approach***

Stakeholders remain very interested in an attainment approach for rewarding performance under the MPA. The HSCRC is currently working with its contractors to develop a statistical approach to construct national hospital peer groups, which is the first step in developing an attainment benchmark. Staff plans on working with the TCOC Work Group to review these results and help develop an overarching attainment approach over the next year.

***Other technical suggestions for review in RY 2021***

Staff incorporated some additional technical suggestions for Rate Year 2021, such as building in additional financial protections for extremely costly patients. The HSCRC plans to winsorize extreme values at the 99<sup>th</sup> percentile to provide some insulation to hospitals from expensive but medically necessary cases.

***Looking forward: Continued support and interest in stakeholder engagement***

Stakeholders expressed the importance of the TCOC Work Group in providing a venue for stakeholders to voice concerns, assess options based on analytic work, and suggest improvements. HSCRC staff agrees and will continue the TCOC Work Group. In November and throughout 2019, the work group will focus on implementation of the RY 2021 policy and potential improvements for the RY 2022 policy. The TCOC Work Group has provided a valuable forum to obtain input from stakeholders and co-create policies that will lead to our collective success.

## **FINAL RECOMMENDATIONS FOR RY 2021 MPA POLICY**

Based on the assessment above, staff recommends the following for RY 2021 (with details as described above).

- 1) Measure Medicare Total Cost of Care (TCOC) by attributing Medicare fee-for-service beneficiaries to providers, primarily based on use of primary care services, and then linking providers to hospitals based on existing relationships.
  - a) Use a hierarchy of Maryland Primary Care Program (MDPCP)-actual, Accountable Care Organization (ACO)-like, PCP-like, and Primary Service Area-Plus (PSAP) attribution for beneficiary-to-provider attribution
  - b) Use existing provider-hospital relationships to link providers to hospitals based on a hierarchy of hospital-affiliated Care Transformation Organizations (CTOs), hospital-affiliated ACOs, hospital employment, and provider referral patterns
  - c) Implement official algorithm result review period
- 2) Set the maximum penalty at 1.0% and the maximum reward at 1.0% of federal Medicare revenue with maximum performance threshold of  $\pm 3\%$ .
- 3) Set the TCOC benchmark as each hospital's risk-adjusted (demographics only) TCOC from 2018, updated with a Trend Factor of 0.33% below the national Medicare FFS growth rate for CY 2019. In CY 2019, exclude MDPCP Care Management Fees and Performance-based Incentive Payments, but include Comprehensive Primary Care Payments for Track 2 practices.
- 4) Continue to assess performance on each hospital's own improvement in its attributed population's per capita TCOC
  - a) Adjust for year-over-year changes in the demographic characteristics of the hospital's attributed population
  - b) For future years, continue to explore incorporating attainment and further risk adjustment into the MPA's performance assessment
- 5) Include the MPA as part of the aggregate revenue at risk under HSCRC quality programs.
- 6) Continue to evaluate the MPA throughout the year and consider enhancements for future MPA policies, obtaining input through continued meetings of the TCOC Workgroup.
- 7) Provide national Medicare growth rate estimates relative to Maryland throughout the year to help hospitals monitor their progress.
- 8) Continue to work with CMS and CRISP to provide information to hospitals so they can more effectively engage in care coordination and quality improvement activities, assess their performance, and better manage the TCOC by working in alignment with both independent and affiliated providers whose beneficiaries they serve.

## List of Abbreviations

AAPM	Advanced Alternative Payment Model
ACO	Accountable Care Organization
CMF	Care Management Fees
CMS	Centers for Medicare & Medicaid Services
CPCP	Comprehensive Primary Care Payments
CTO	Care Transformation Organization
CY	Calendar Year
E&M	Evaluation and Management Codes
ECMAD	Equivalent case-mix adjusted discharge
FFS	Medicare Fee-For-Service
FFY	Federal Fiscal Year
FY	Fiscal Year
GBR	Global Budget Revenue
HSCRC	Health Services Cost Review Commission
MACRA	Medicare Access and CHIP Reauthorization Act of 2015
MHAC	Maryland Hospital-Acquired Conditions Program
MPA	Medicare Performance Adjustment
MDPCP	Maryland Primary Care Program
NPI	National Provider Identification
PBIP	Performance-based Incentive Payments
PCP	Primary Care Provider
PSA	Primary Service Area
RRIP	Readmission Reduction Incentive Program

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RY	Rate Year
TCOC	Medicare Total Cost of Care
TIN	Tax Identification Number

## APPENDIX I. BACKGROUND

The Maryland Health Services Cost Review Commission (HSCRC) is a State agency with unique regulatory authority: for all acute-care hospitals in Maryland, HSCRC sets the amount that each hospital will be reimbursed by all payers. The federal government has granted Maryland the authority for HSCRC to set hospital payment rates for Medicare as part of its all-payer hospital rate-setting system. This all-payer rate-setting approach, which has been in place since 1977, eliminates cost-shifting among payers.

Since 2014, the State and CMS have operated Maryland's unique all-payer rate-setting system for hospital services to adopt new and innovative policies aimed at reducing per capita hospital expenditures and TCOC spending, while improving health care quality, patient outcomes, and population health. Under this initiative, hospital-level global budgets are established, so that each hospital's total annual revenue is known at the beginning of each fiscal year. Annual revenue is determined from a historical base period that is adjusted to account for inflation updates, infrastructure requirements, population-driven volume increases, performance in quality-based or efficiency-based programs, changes in payer mix, and changes in levels of uncompensated care. Annual revenue may also be modified for changes in services levels, market share shifts, or shifts of services to unregulated settings.

The MPA provides a mechanism to further support aligned efforts of hospitals with other providers. This includes the opportunity for physicians who partner with hospitals under Maryland's Care Redesign Programs (i.e., Hospital Care Improvement Program (HCIP), Complex and Chronic Care Improvement Program (CCIP), and Episode Care Improvement Program (ECIP)) to be eligible for bonuses and increased payment rates under the federal MACRA law.

Although outside the scope of the MPA attribution algorithm and other aspects described in this document, the State also has the flexibility to apply an MPA Efficiency Adjustment to adjust hospitals' Medicare payments for other purposes. There are two primary use cases for the MPA Efficiency Adjustment. First, the MPA Efficiency Adjustment can permit the flow of Medicare funds to hospitals based on their performance in other programs. For example, Medicare payments to qualifying hospitals under ECIP will occur through an MPA Efficiency Adjustment separate from the MPA's adjustment based on the hospital's performance on its attributed population. In addition, the MPA Efficiency Adjustment may also be used to reduce hospital payments if necessary to meet Medicare financial targets that are not approved on an all-payer basis.

## APPENDIX II. ASSESSMENT PRINCIPLES

Based on the State's experience with performance-based payment adjustments, as well as guiding principles for quality payment programs from the HSCRC Performance Measurement Work Group, the TCOC Work Group discussed the following principles for the development of the Medicare Performance Adjustment (MPA):

- 1. The hospital-specific measure for Medicare TCOC should have a broad scope**
  - 1.1. The TCOC measure should, in aggregate, cover all or nearly all Maryland FFS Medicare beneficiaries and their Medicare Part A and B costs.
- 2. The measure should provide clear focus, goals, and incentives for transformation**
  - 2.1. Promote equitable, efficient, high quality and patient-centered delivery of care.
  - 2.2. Emphasize value.
  - 2.3. Promote new investments in care coordination.
  - 2.4. Encourage appropriate utilization and delivery of high quality care.
  - 2.5. The measure should be based on prospective or predictable populations that are “known” to hospitals.
- 3. The measure should build on existing transformation efforts, including on current and future provider relationships already managed by hospitals or their partners.**
- 4. Performance on the measure should reflect hospital and provider efforts to improve TCOC**
  - 4.1. Monitor and minimize fluctuation over time.
  - 4.2. Hospitals should have the ability to track their progress during the performance period and implement initiatives that affect their performance.
  - 4.3. The TCOC measure should reward hospitals for reductions in potentially avoidable utilization (e.g., preventable admissions), as well as for efficient, high-quality care episodes (e.g., 30- to 90-day episodes of care).
  - 4.4. Hospitals recognize the patients attributed to them and their influence on those patients' costs and outcomes
- 5. Payment adjustments should provide calibrated levels of responsibility and should increase responsibility over time**
  - 5.1. Prospectively determine methodology for determining financial impact and targets.
  - 5.2. Payment adjustments should provide levels of responsibility calibrated to hospitals' roles and adaptability and revenue at risk that can increase over time, similar to other quality and value-based performance programs.

### APPENDIX III. ESTIMATED TIMELINE AND HOSPITAL SUBMISSION

Estimated Timing	Action
December 2018	<ul style="list-style-type: none"> <li>• <i>Required for ACOs:</i> Hospitals provide HSCRC with ACO Participant List for Performance Year 2019 (also used for Base Year 2018)</li> <li>• <i>Voluntary:</i> Hospitals participating in multi-hospital ACOs designate which ACO providers should be linked with which ACO hospital.</li> <li>• <i>Voluntary:</i> Hospitals provide HSCRC with a list of full-time, fully employed providers</li> <li>• <i>Voluntary:</i> Hospitals wanting to be treated as a combination under the MPA submit a joint request to HSCRC</li> </ul>
January 2019	<ul style="list-style-type: none"> <li>• Performance year begins</li> <li>• HSCRC combines hospital lists and identifies potential overlaps</li> <li>• HSCRC runs attribution algorithm for Base Year 2018 and Performance Year 2019, and provides hospitals with preliminary provider-attribution lists</li> </ul>
February 2019	<ul style="list-style-type: none"> <li>• Official review period for hospitals of 2 weeks following preliminary provider-attribution lists.</li> <li>• HSCRC reruns attribution algorithm for implementation</li> </ul>

## APPENDIX IV. BENEFICIARY ATTRIBUTION ALGORITHM

**Eligible Population:** Maryland Medicare Fee-for-Service beneficiaries, defined as Medicare beneficiaries who have at least one month of Part A and Part B enrollment during the previous two years who resided in Maryland or in an out-of-state PSA claimed by a Maryland hospital.

**Hierarchy:** Maryland Medicare beneficiaries are first assessed for attribution to a hospital through the MDPCP-actual method. Beneficiaries not attributed under MDPCP-actual attribution are then assessed for attribution through the ACO-like attribution. Beneficiaries not attributed under ACO-like attribution are then assessed for attribution through the PCP-like attribution. Those not attributed through the PCP-like attribution are attributed through the Geographic attribution (PSA-Plus). This final step captures all remaining Maryland Medicare beneficiaries, including those with no previous claims experience because they are newly enrolled in Medicare.

**Exclusions:** Claims associated with categorically excluded conditions are removed prior to attribution assignment. These claims in any setting trigger an episode beginning three days before and extending to 90 days after a hospital stay for such a condition and are excluded from the TCOC as well as from the determination of ACO-like and PCP-like attribution. These conditions are primarily transplants and burns identified by diagnoses, procedure codes and DRGs.

### MDPCP-actual beneficiary attribution

The Medicare Performance Adjustment will use the actual attribution used in MDPCP. HSCRC will rely on the actual beneficiaries attributed to MDPCP practices participating in MDPCP as of January of the performance year. Beneficiary attribution in MDPCP is based on primary care services with clinicians participating in MDPCP.

### ACO-like beneficiary attribution

After removing the cost and beneficiaries assigned to practices through the MDPCP-actual method, remaining beneficiaries are considered eligible for ACO-like attribution, and ACO-like attribution will be attempted for all remaining. Beneficiaries are attributed to ACOs based on the use of professional services with ACO clinicians, while clinicians are attached to ACOs if their identifier appears on the ACO's participant list. HSCRC will work with Maryland hospitals and the Maryland Hospital Association to receive lists of ACO providers in the winter of each year to determine ACO participation for that Base Year and the upcoming Performance Year. Any changes to ACO provider lists throughout the year will not be included until the following Performance Year. The hospital-provided ACO lists should be the same list that is submitted to CMS for ACO participation. Hospital affiliation is also identified through ACO participation, and only hospitals affiliated with a Maryland ACO are used for attribution.

Based on the two Federal Fiscal Years preceding the performance period, the logic determines the plurality of allowed charges for primary care services for eligible beneficiaries with at least one visit for a primary care service. If the plurality of charges are to a set of clinicians that are on

a list of ACO providers, the beneficiary is attributed to the corresponding ACO, as is done in the CMS ACO logic. If the plurality of charges are to clinicians that are not on an ACO list, the beneficiary is not attributed to an ACO. PCPs are identified based on specialty. Primary care services are identified by HCPCS codes and measured by allowed charges. If a beneficiary does not have any PCP visit claims, the same logic is performed for clinicians of other specialties. PCP and selected specialties and codes for primary care services are presented below. All beneficiaries that see a specific clinician may not necessarily be attributed to the same ACO or system. Because the ACO-like attribution methodology uses multiple clinicians to determine whether a beneficiary is attributed to an ACO, an additional step is required to determine the specific ACO beneficiary and ACO provider link. The ACO provider with the plurality of services is attributed the ACO beneficiary.

### **ACO Specialties**

Primary Care Providers' specialty codes are sourced from the Medicare Shared Savings Program Guidance, defined as:<sup>2</sup>

- physicians with a primary specialty of Internal Medicine, General Practice, Geriatric Medicine, Family Practice, or Pediatric Medicine; or
- non-physician primary care providers (Nurse Practitioners, Clinical Nurse Specialists, or Physician Assistants).

Other specialties include Obstetrics/Gynecology, Osteopathy, Sports Medicine, Physical Medicine and Rehabilitation, Cardiology, Psychiatry, Geriatric Psychiatry, Pulmonary Disease, Hematology, Hematology/Oncology, Preventive Medicine, Neuropsychiatry, Neurology, Medical or Gynecological Oncology or Nephrology.

### **ACO Primary Care Codes**

Primary care codes are sourced from the Medicare Shared Savings Program Guidance.<sup>3</sup> The codes include new or established patient visits for office or other outpatient services; initial nursing facility care; subsequent nursing facility care; nursing facility discharge services; other nursing facility services; domiciliary, rest home or custodial care; home services; wellness visits; new G code for outpatient hospital claims.

### **PCP-like beneficiary attribution**

After removing the cost and beneficiaries assigned to hospitals through either the MDPCP-actual or the ACO-like method, providers will be attributed beneficiaries based on beneficiary primary care utilization. Assignment of beneficiaries to primary care providers is determined based on the

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<sup>2</sup> <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Downloads/Shared-Savings-Losses-Assignment-Spec-V6.pdf>

<sup>3</sup> See previous.

beneficiaries' use of primary care services as originally proposed in the Maryland Primary Care Program (MDPCP) by the Maryland Department of Health (MDH) to CMMI and adopted in the Y1 MPA policy. A PCP for this purpose includes traditional PCPs but also physicians from other selected specialties.

Primary care providers are attributed beneficiaries based on proposed MDPCP logic with minor adjustments. Each Medicare FFS beneficiary with Medicare Part A and Part B is assigned the National Provider Identification (NPI) number of the clinician who billed for the plurality of that beneficiary's office visits during the 24 month period preceding the performance period AND who also billed for a minimum of 25 Total Office Visits by attributed Maryland beneficiaries in the same performance period. If a beneficiary has an equal number of qualifying visits to more than one practice, the provider with the highest cost is used as a tie-breaker. Beneficiaries are attributed to Traditional Primary Care Providers first and, if that is not possible, then to Specialist Primary Care Providers.

The cost of primary care services must represent 60% of total costs performed by a provider during the most recent 12 months, excluding hospital and emergency department costs. Primary care services are identified by procedure codes from the list appended below. Primary care providers are defined as unique NPIs regardless of practice location and are not aggregated or attributed through practice group or tax identification number (TIN).

### **PCP-like Eligible Specialties**

Traditional Primary Care Providers are defined as providers with a primary specialty of Internal Medicine; General Practice; Geriatric Medicine; Family Practice; Pediatric Medicine; Nurse Practitioner; or Obstetrics/Gynecology. Specialist Primary Care Providers are defined as providers with a primary specialty of Cardiology; Gastroenterology; Psychiatry; Pulmonary Disease; Hematology/Oncology; or Nephrology. These specialties may differ from those used in the MDPCP and ACO-like.

### **PCP-like Primary Care Codes**

Office/Outpatient Visit E&M (99201-99205 99211-99215); Complex Chronic Care Coordination Services (99487-99489); Transitional Care Management Services (99495-99496); Home Care (99341-99350); Welcome to Medicare and Annual Wellness Visits (G0402, G0438, G0439); Chronic Care Management Services (99490); Office Visits (M1A, M1B); Home Visit (M4A); Nursing Home Visit (M4B) BETOS Codes; Specialist Visits (M5B, M5D); Consultations (M6) BETOS Codes; Immunizations/Vaccinations (O1G) BETOS Codes; Other Testing BETOS Codes (T2A Electrocardiograms, T2B Cardiovascular Stress Tests, T2C EKG Monitoring, T2D Other Tests)

## Geographic beneficiary attribution

The remaining beneficiaries and their costs will be assigned to hospitals based on Geography, following an algorithm known as PSA-Plus. The Geographic methodology assigns zip codes to hospitals through three steps:

1. Zip codes listed as Primary Service Areas (PSAs) in the hospitals' GBR agreements are assigned to the corresponding hospitals. Costs in zip codes claimed by more than one hospital are allocated according to the hospital's share on equivalent case-mix adjusted discharges (ECMADs) for inpatient and outpatient discharges among hospitals claiming that zip code. ECMAD is calculated from Medicare FFS claims for the two Federal fiscal years 2014 and 2015.
2. Zip codes not claimed by any hospital are assigned to the hospital with the plurality of Medicare FFS ECMADs in that zip code, if it does not exceed 30 minutes' drive time from the hospital's PSA. Plurality is identified by the ECMAD of the hospital's inpatient and outpatient discharges during the attribution period for all beneficiaries in that zip code.
3. Zip codes still unassigned will be attributed to the nearest hospital based on drive-time.

Beneficiaries not assigned based on MDPCP-actual, ACO-like, or PCP-like affiliation who reside in a zip code attributed to multiple hospitals will be included among attributed beneficiaries of each hospital. However, the per capita TCOC for those beneficiaries will be divided among those hospitals based on market share.

## APPENDIX V. PROVIDER-TO-HOSPITAL LINKAGE

### *MDPCP Provider to CTO Hospital Attribution*

MDPCP providers will be assessed as a practice for participation with a hospital-affiliated Care Transformation Organization (CTO). All attributed beneficiaries for that practice will be attributed to the affiliated hospital. Maryland hospitals participating with a CTO for the purposes of this method will be determined by the Maryland Department of Health. Any providers not participating with MDPCP are assessed for linkage under ACO approach. Providers participating in an MDPCP practice with a non-hospital affiliated CTO or no CTO will be assessed together as a practice under subsequent steps.

### *ACO Provider to ACO Hospital Attribution*

Remaining providers not linked to a hospital under the MDPCP-CTO linkage will be assessed for ACO linkage. Providers participating with a hospital-affiliated ACO will be linked with the corresponding hospital/system, and all attributed beneficiaries for that provider will be attributed to that hospital/system. ACOs with multiple hospitals (e.g., systems) may designate ACO PCPs to specific ACO hospitals, which will ensure that beneficiaries attributed to those PCPs are attributed to that hospital, if approved by HSCRC. This designation must occur before the Performance Year and cannot be changed once the current Performance Year has begun, except as agreed to by HSCRC. If ACOs with multiple hospitals do not elect to designate ACO PCP and ACO hospital linkages, TCOC will be distributed by Medicare market share (based on federal Medicare FFS hospital payments) of the hospitals in the ACO. MDPCP practices that are not linked to a hospital under CTO linkage will be assessed together as a group for ACO linkage.

### *Employed Provider to Hospital Attribution*

Any providers not linked to hospitals through the MDPCP or ACO linkages may be linked to hospitals based on voluntary hospital-submitted employment lists. These lists must be submitted to HSCRC by a specified date and represent full-time, fully employed providers with a single hospital/hospital system. MDPCP practices that are not linked to a hospital under CTO or ACO linkage will be assessed together as a group for employment linkage.

### *Referral Patterns Provider to Hospital Attribution*

Under PCP-like, if the provider is not linked to a hospital through MDPCP, ACO, or employment, a provider and the beneficiaries and costs assigned to that provider's NPI are in turn assigned to a hospital based on the number of inpatient and outpatient hospital visits by the provider's attributed beneficiaries. All of the provider's beneficiaries are attributed to the hospital with the greatest number of visits by beneficiaries assigned to that provider. If a provider's beneficiaries have equal visits to more than one hospital, the provider is attributed to the hospital responsible for the greatest total hospital cost. MDPCP practices that are not linked to a hospital under CTO, ACO, or employment linkage will be assessed together as a group for referral pattern linkage. Aside from MDPCP practices, practice group and location do not impact

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provider to hospital attribution, nor does the number of practices or TINs to which the provider is affiliated. All beneficiaries attributed to a specific clinician through the PCP-like method will be attributed to a single hospital.



# Baltimore Population Health Workforce Collaborative

Population Health Workforce Support for  
Disadvantaged Areas

# Program Partners

- ▶ Collaborative Members
  - ▶ Johns Hopkins Bayview Medical Center
  - ▶ Johns Hopkins Hospital
  - ▶ LifeBridge Sinai Hospital
  - ▶ MedStar Franklin Square Medical Center
  - ▶ MedStar Good Samaritan Hospital
  - ▶ MedStar Harbor Hospital
  - ▶ MedStar Union Memorial Hospital
  - ▶ University of Maryland Medical Center - Downtown Campus
  - ▶ University of Maryland Medical Center - Midtown Campus

# Program Partners

- ▶ Intermediary
  - ▶ BACH (Baltimore Alliance for Careers in Healthcare)
- ▶ Essential Skills
  - ▶ Turnaround Tuesday
- ▶ Technical Skills
  - ▶ BAHEC (Baltimore Area Health Education Council)
  - ▶ CCBC (Community College of Baltimore Count)
  - ▶ JPRT (Jordan Peer Recovery Training)

# Program Goals

- ▶ The goal of BPHWC is to concomitantly improve the socio-economic status of disadvantaged communities and promote population health in the Baltimore region.
- ▶ This is being achieved by improving the continuity of healthcare in the communities where CHWs, PRSs, and home care CNAs work and providing income through jobs that impact the health and well-being of the workers. Targeted neighborhoods are those in hospital Community Benefit Service Areas that have higher poverty and unemployment rates than Baltimore City overall.

# Target Workforce Population

- ▶ The primary target workforce populations to be trained and recruited are:
  - ▶ Unemployed/underemployed residents living in high poverty communities
  - ▶ Those who have little or no work history
  - ▶ Have no more than a HS diploma or GED equivalent
  - ▶ May possess a criminal record
  - ▶ Persons in long-term recovery from substance use disorders (SUD) and/or mental health issues

# Program Process

- ▶ Recruitment, Screening, Intake, Barrier Removal, Essential Skills
- ▶ Technical Skills, Job Preparation
- ▶ Career Coaching (*Ongoing throughout process*)
- ▶ Hiring Process
- ▶ Onboarding and Deployment
- ▶ Continued Support and Development

# Training Tracks and Associated Jobs

## ► Community Health Workers

- CHWs help promote healthy behaviors and are connectors with the health care system to increase access to care to reduce health disparities and identify/navigate patients with unmet social needs to appropriate health care. CHWs are most effective when they serve the communities from which they come and thus provide continuity between healthcare systems and the community.

## ► Peer Recovery Specialists

- PRSs have experienced substance use disorder or mental illness and recovery and can help persons with behavioral health issues by serving as a link between the clinical setting and the community to enhance access to and participation in treatment services to prevent relapse.

## ► Home Care CNA/GNAs

- CNA/GNAs in the program expand the current homes support reach in the community. They also help reduce readmission by serving hospital discharged patients who need personal care at home, but otherwise could not afford or access such preventative care.

# Technical Training Through June 2018

Track	Started	Completed
CNA/GNA	8	5
Community Health Worker	143	134
Peer Recovery Specialist	56	44
<b>Total Technical Trainees</b>	<b>207</b>	<b>183</b>

# Workers Hired through June 2018

Hospital	CHW Hired	PRS Hired	CNA Hired	Total Hired Y1-Y2
JHHS + JH SOM	20	2	14	36
JHBMC	8	2		10
Lifebridge Sinai	6	0		6
MedStar HH	3	3		6
MedStar GS	4	4		8
MedStar FS	6	1		7
MedStar UM	5	2		7
UMMC	14	8		22
UMMC Midtown	7	5		12
<b>COLLABORATIVE</b>	<b>73</b>	<b>27</b>	<b>14</b>	<b>114</b>

# Worker Impact on Quality Measures

- ▶ Workers support a variety of new and existing initiatives as part of comprehensive population and community health programs, making it difficult to attribute differences in readmission and ED utilization rates to individual workers.
  - ▶ Worker activity metrics and anecdotal evidence suggest that workers are having the intended effects on improving engagement and health outcomes for patients and communities.
- 
- ▶ **Worker Activity (Program Inception through June 2018)**
    - ▶ **16,311 Interventions**  
*Direct, Remote, and Community Based*
    - ▶ **10,422 Referrals**  
*Connections to Medical or Social Services Based on Needs Assessments*

# Turnaround Tuesday

- ▶ A Second Chance Jobs Movement
  - ▶ MISSION: To prepare “returning”, unemployed, and under employed citizens to reenter the workforce and take an active role in transforming their communities.
- ▶ PWSDA Role
  - ▶ Recruitment
  - ▶ Eligibility Screening
  - ▶ Barrier Removal
  - ▶ Essential Skills Training
  - ▶ Long-term Wraparound Services

# **Recommendation and Report on Population Health Workforce Support for Disadvantaged Areas (PWSDA) Activities for Fiscal Years 2017 and 2018**

November 14, 2018

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This is a draft recommendation. Comments should be submitted to  
[erin.schurmann@maryland.gov](mailto:erin.schurmann@maryland.gov) by November 21, 2018.

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## **OVERVIEW**

This report summarizes fiscal year (FY) 2017<sup>1</sup> and 2018 activities for the Population Health Workforce Support for Disadvantaged Areas and provides a recommendation to extend the program for three years (FY 2020 – FY 2022) for the Baltimore Population Health Workforce Collaborative (Baltimore Collaborative), one of the two original grantees. In December 2015, the Commission authorized up to \$10 million in hospital rates for hospitals that committed to train and hire workers from geographic areas of high economic disparities and unemployment. Workers will fill new positions to support care coordination, population health, consumer engagement, and related positions. The PWSDA was developed in an effort to support job opportunities for individuals who reside in neighborhoods with a high area deprivation index (ADI), and thus enable low-income urban, suburban, and rural communities to improve their socioeconomic status while working to improve population health. The overall objective is to address the social determinants of health and assist hospitals in bolstering population health and meeting the goals of the All-Payer Model and the new Total Cost of Care Model.

When approved in 2015, the PWSDA program limited the award total to \$10 million in hospital rates over a three-year period, with the condition that hospitals provide matching funds of at least 50 percent of the amount included in their rates. The HSCRC awarded rate increases to two applicants: the Baltimore Collaborative and Garrett Regional Medical Center. The applicants were required to explain how they will use the increase in rates to support the training and hiring of individuals consistent with the goals of the program.

Hospitals report on three areas: training and hiring activities, patient care activities, and spending. Evaluators at the University of Maryland School of Medicine collect, review, and summarize these reports on behalf of the HSCRC. This report provides a summary of worker training and hiring counts, key areas of patient care provided by PWSDA workers, and a summary of spending from January 1, 2017 through June 30, 2018. Staff recommendations are outlined below.

## **RECOMMENDATIONS**

Staff is proposing a three year extension of the program for the Baltimore Collaborative. Due to the delayed start of the program in FY 2017 and a slower than anticipated ramp up, the Baltimore Collaborative is still working to meet the aggressive training and hiring counts articulated in their 2016 proposal. Staff proposes an extension through FY 2022 to the Baltimore Collaborative to maintain current training and hiring progress and reach intended employment goals.

Based on staff findings from the last two years of reporting, staff recommend the following:

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<sup>1</sup> Hospital activities for FY 2017 activities and spending began in January 2017 and ran through June 30, 2017, a 6-month period.

- Extend the PWSDA program for three years through FY 2022.
- Make adjustments to rates to remove unspent PWSDA funds from population-based budgets from FY 2017-FY 2019; Estimated to be approximately \$3.5 million from FY 2017 and FY 2018, pending staff audit conclusions.
- Provide \$5,875,804 in rates to the Baltimore Collaborative across FY 2020-FY 2022 with hospitals matching at least 50 percent of rate funding.

## **BALTIMORE POPULATION HEALTH WORKFORCE COLLABORATIVE**

### **Background**

The Baltimore Population Health Workforce Collaborative is a consortium of four major health systems that includes nine hospitals in the Baltimore Metropolitan Area:

- Johns Hopkins Hospital
- Johns Hopkins - Bayview
- Sinai Hospital
- Medstar – Good Samaritan
- Medstar – Harbor Hospital
- Medstar – Union Memorial
- Medstar – Franklin Square
- University of Maryland Medical Center
- University of Maryland – Midtown

In 2016, the Baltimore Collaborative submitted a proposal to hire individuals from high poverty communities to fill positions such as community health workers (CHWs), peer recovery specialists (PRSs), certified nursing/geriatric nursing assistants (CNAs/GNAs), and other positions serving patients in the community. The Commission authorized \$6,675,666 across FY 2017 – FY 2019 to provide essential skills training to 444 individuals, provide technical skills training to 263 individuals, and employ 208 individuals by the third year of the project. The Collaborative has partnered with the Baltimore Alliance for Careers in Healthcare (BACH) to implement and manage the recruiting and training process.

### **Hiring and Training Activities**

The Baltimore Collaborative has focused most heavily on recruiting, training, and hiring community health workers to provide a variety of services including education, outreach, care coordination, and patient navigation. Select hospitals have also engaged peer recovery specialists to bolster their services to persons with substance use disorders and certified nursing assistants/geriatric nursing assistants to provide in-home care. Hiring and training activities started later in FY 2017 than originally anticipated so training and hiring numbers have been lower than projected in the initial proposal.

BACH has assisted the Baltimore Collaborative by coordinating training activities and other program administration efforts. Key community partners assisting in the recruiting and training process include TurnAround Tuesday, Center for Urban Families, Penn-North Community Resource Center, and others. Technical training was provided by the Baltimore Area Health Education Center, Community College of Baltimore County, and Mission Peer Recovery Training. Hiring by hospitals continues to increase as the recruitment and training process continues.

Over the 18 months of the program, 207 individuals began technical training, 183 of whom completed the program. Of those individuals who completed technical training, 114 individuals were hired by hospitals. Hired positions included CHWs, PRSs, and CNAs/GNAs. Hiring and training has continued since June 2018.

### **Baltimore Collaborative Hired Workers**

<b>Position</b>	<b>Worker Count as of 6/30/18</b>
Community Health Worker	73
Peer Recovery Specialist	27
Certified/Geriatric Nursing Assistant	14
<b>Worker Totals</b>	<b>114</b>

### **Worker Activities and Patients Served**

Workers provided a wide range of patient care to a demographically diverse patient population, with a particular focus on high-utilizer and high-risk patients on Medicare. Key patient care activities included care coordination, health education and health system navigation, transitional care for home health, and community/home care. Additionally, peer recovery specialists provided support for inpatient behavioral unit patients with substance use disorders, ED patients, and those with substance use disorders; PRSs connected patients with community services after discharge, or referred them to therapy after screening and brief intervention. Over the 18 months of the program, PWSDA workers completed 16,311 interventions and provided 10,422 referrals to patients.

<b>Patient Care Activity</b>	<b>Patient Population Served</b>
Care Coordination	<ul style="list-style-type: none"><li>○ High needs patients with few comorbidities</li><li>○ Follow up discharged patients from hospital or ED</li><li>○ Frequent ED visitors</li><li>○ High risk patients with difficulty adhering to treatment</li></ul>

Health Education	<ul style="list-style-type: none"> <li>○ Diabetic and pre-diabetic patients</li> <li>○ Patients with sickle cell anemia</li> <li>○ Palliative care patients</li> <li>○ IV drug users in the ED for hepatitis C and HIV screening</li> <li>○ Sex workers and homeless</li> </ul>
Health System Navigation	<ul style="list-style-type: none"> <li>○ OB-GYN &amp; pediatric patients with social determinant-related barriers</li> <li>○ Frequent ED users</li> </ul>
Transitional Care for Home Health and Linkage to Social Services	<ul style="list-style-type: none"> <li>○ High-risk Medicare patients</li> <li>○ High healthcare utilizers with COPD, congestive heart failure, hypertension, HIV, and diabetes</li> </ul>
Peer Recovery Support	<ul style="list-style-type: none"> <li>○ Inpatient behavioral unit patients</li> <li>○ Chemical detox unit</li> <li>○ Overdose survivors outreach program</li> <li>○ ED patients Screening, Brief intervention and Referral to Treatment (SBIRT)</li> <li>○ High-Risk Substance Users</li> </ul>
Community / Home Care	<ul style="list-style-type: none"> <li>○ Convalescent patients who need support with ADL</li> <li>○ Adult patients with chronic conditions</li> <li>○ Women with perinatal depression</li> <li>○ Frequent ED visitors</li> <li>○ OB-GYN and pediatrics patients</li> </ul>

Because of the short duration of the program, no significant quality outcome measures are available at this time. Additionally, many workers have been incorporated into existing hospital programs which makes identifying the direct impact of PWSDA workers on quality indicators and population health difficult.

## Budget

Total expenditures for this reporting period were \$672,527 in FY 2017 and \$4,074,572 in FY 2018. HSCRC staff are currently conducting an audit of FY 2017 and FY 2018 spending to confirm actual spending against reported amounts. Staff will adjust rates at the end of the program to remove any unspent funds from hospital global budgets at the end of FY 2019.

### **FY 2017 Budget and Spending**

<b>Expenditure</b>	<b>Budgeted</b>	<b>Actual</b>
Training	\$505,959	\$328,783
Salaries & Benefits	\$2,001,402	\$305,040
Consultant (BACH)	\$269,196	-
Other Costs	\$106,250	\$38,704
<b>Totals</b>	<b>\$2,882,807</b>	<b>\$672,527</b>

### **FY 2018 Budget & Spending**

<b>Expenditure</b>	<b>Budgeted</b>	<b>Actual</b>
Training	\$314,070	\$292,003
Salaries & Benefits	\$8,357,658	\$3,247,972
Consultant (BACH)	\$343,565	\$256,352
Other Costs	\$218,875	\$278,245
<b>Totals</b>	<b>\$9,234,168</b>	<b>\$4,074,572</b>

## **GARRETT REGIONAL MEDICAL CENTER**

### **Background**

Garrett Regional Medical Center (GRMC) submitted a proposal to hire five individuals to provide health education and care coordination for high utilizers of inpatient care, in particular patients enrolled the Well Patient Program which is managed by a social worker and nurse navigator. Potential workers would be selected for training and employment from the same Well Patient Program under the premise that individuals struggling with chronic conditions may be best equipped to educate and assist other patients with similar health conditions.

The Commission authorized a total of \$221,485 in hospital rates to Garrett Regional Medical Center across three years. Additionally, due to GRMC's overlapping service areas with West Virginia, the Commission required that 50% of hired workers be from Maryland.

## Hiring and Training Activities

Workers hired by GRMC under the PWSDA are actively managing chronic conditions. Consequently, workers are afforded more flexibility in the training phase and their employment can be on a full-time or part-time basis as needed. Over the course of the program, GRMC found that hiring community health workers with personal experience managing chronic conditions was a strength of the program. The CHWs meet with patients who have been admitted to the hospital or visited the emergency department and assist them with post-discharge needs.

GRMC recruited six individuals during FY 2017 and FY 2018. Five of the six enrollees completed the training and all were hired as CHWs at the hospital. Three workers are from Maryland and two workers are from West Virginia, which fulfills the Commission requirement that 50% of hires must be Maryland residents. An additional hire was made in July 2018.

## Worker Activities and Patients Served

PWSDA workers provided support for programs already conducted by GRMC. Community health workers supporting the Well Patient Program assisted the nurse navigator and social workers to provide disease management support for high-utilizers and patients with chronic conditions. Under the Care Coordination Program, CHWs assisted patients with high LACE scores through follow-up phone calls and visits after hospital discharges. Through the Community Care Collaboration Project, CHWs are expected to meet with other agencies that provide support services to patients in order to better coordinate care and prevent duplication of services.

Over the 18 month period, GRMC reported that the number of patients served in the Well-Patient Program increased from 20 individuals to 125. For the 852 patients in the Care Coordination Program, the program observed 94 hospitals admissions and 235 emergency department visits which was smaller than their targets of 100 and 288, respectively.

Because of the short duration of the program, no significant quality outcome measures are available at this time. Because these workers have been incorporated into existing hospital programs, identifying the direct impact of PWSDA workers on quality indicators and population health difficult.

## Budget

Total expenditures for the reporting period were \$45,198 for FY 2017 and \$92,918 for FY 2018.

### FY 2017 Budget & Spending

Expenditure	Budgeted	Actual
Training	\$10,480	\$3,800
Salaries & Benefits	\$113,537	\$41,148
Other Costs	\$3,500	\$250
<b>Totals</b>	<b>\$127,517</b>	<b>\$45,198</b>

### FY 2018 Budget & Spending

Expenditure	Budgeted	Actual
Training	\$8,016	\$3,300
Salaries & Benefits	\$164,523	\$74,798
Other Costs	\$2,000	\$14,820
<b>Totals</b>	<b>\$174,539</b>	<b>\$92,918</b>

## CONCLUSION

The PWSDA program as initially approved concludes at the end of FY 2019. The HSCRC will continue to collect information on awardee training and hiring activities, worker activities and patient care, and any associated quality metrics. HSCRC staff is currently conducting an audit of hospital spending for Year 1 and 2 of the program and will make appropriate adjustments to hospital rates at the conclusion of the first three years of the program to remove any unspent funds from population-based budgets.

As articulated earlier in this report, staff recommends an extension through FY 2022 to the Baltimore Collaborative to maintain current training and hiring progress and reach intended goals of the program. The Commission reserves the right to terminate or rescind an award at any time for material lack of performance or for not meeting the letter or intent of the program.

# JOHNS HOPKINS

## Government and Community Affairs

Suite 540  
901 S. Bond Street  
Baltimore MD 21231  
443-287-9900 / Fax 443-287-9898

October 23, 2018

Ms. Katie Wunderlich  
Executive Director  
Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215

Dear Ms. Wunderlich,

On behalf of the Johns Hopkins Health System, thank you for the opportunity to voice my support for the Baltimore Population Health Workforce Collaborative (BPHWC). BPHWC has been an outstanding example of hospitals and the state working together to address the population health needs of Baltimore City. Even the early data is showing positive results – we have heard and collected numerous individual examples of how this program significantly changed the lives of the recipients of these population health based jobs, as well as the lives of patients who have been touched by our Peer Recovery Specialists and Community Health Workers.

The Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center were early advocates of this program, and we are encouraged by its success. Johns Hopkins and our other partners in this program recognize that there were unexpected barriers in the initial launch of the program, however we fully expect the BPHWC to meet its hiring targets and goals. We appreciate the interest of the HSCRC to see this program reach its full potential, and we believe the continuation of Population Health Workforce Support for Disadvantaged Areas program is an essential tool in addressing the population health needs of Baltimore City and the patients we serve.

Sincerely,



Mary E. Clapsaddle  
Director, State Affairs

cc: Nelson J. Sabatini, Chairman  
Joseph Antos, Ph.D., Vice Chairman  
Victoria W. Bayless  
George H. Bone, M.D.

John M. Colmers  
James Elliott, MD  
Adam Kane  
Jack C. Keane



# UNIVERSITY of MARYLAND MEDICAL CENTER

Mohan Suntha, MD, MBA  
President and Chief Executive Officer

November 5, 2018

22 S. Greene Street  
Baltimore, MD 21201  
410-328-2331 | 410-328-7595 FAX

Ms. Katie Wunderlich  
Executive Director  
Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21201

Dear. Ms. Wunderlich,

I am writing on behalf of the University of Maryland Medical Center (UMMC) to strongly advocate for extending support for the Baltimore Population Health Workforce Collaborative (BPHWC). This program is an excellent example of how Baltimore City hospitals and the State can work together creatively to begin to address the many complex challenges facing our most vulnerable patients. It has proven to be an enormous success both for our patients and for the community members who have participated in the program by becoming community health workers and peer recovery counselors. As you will see from our collective impact report, we were able to achieve many of the goals set forth, achieved high retention rates from the participants, and fully expect to complete our hiring and programmatic goals.

Through the resources provided by the BPHWC, UMMC was able to hire 21 community health workers and 13 peer recovery specialists during the first 2 years of the program. These individuals have become an integral and important part of our care management teams and are making a significant impact on the patients we serve. One of our community health workers was appointed by Governor Hogan to be a member of the State of Maryland's Community Health Worker Advisory Committee for a five-year term. This is an example of the outstanding talent that our partners, such as Turnaround Tuesday, are pipelining to our collaborative efforts.

As you know, our Midtown Campus (formerly Maryland General Hospital) has been a resource for the community for the past 136 years. As an anchor institution in West Baltimore, UMMC is intricately connected to the community, and is working diligently to develop strategies and tactics to address population health as we prepare to move into the new Total Cost of Care model. Our commitment continues to be stronger than ever.

We are grateful to the HSCRC for supporting this important initiative and believe that the continued funding of this program is essential to meeting the goals of the Phase II Medicare Waiver Program and making a collective impact in the communities we serve.

Sincerely,

Mohan Suntha, MD, MBA  
President and Chief Executive Officer

Cc: Nelson J. Sabatini, Chairman  
Joseph Hoffman  
Dana Farrakhan



# MedStar Health

10980 Grantchester Way  
Columbia, MD 21044  
410.772.6500 PHONE  
410.715.3754 FAX  
[medstarhealth.org](http://medstarhealth.org)

October 26, 2018

Nelson J. Sabatini  
Chairman, Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, MD 21215

Dear Chairman Sabatini:

On behalf of MedStar Health and our four Baltimore region hospitals (MedStar Franklin Square Medical Center, MedStar Good Samaritan Hospital, MedStar Harbor Hospital, and MedStar Union Memorial Hospital), we are writing to express our strong support to extend the Baltimore Population Health Workforce Collaborative to allow each hospital to reach and sustain the original training and hiring goals. As you know, while training and hiring processes were slow to be fine-tuned, those issues have been resolved, and the impact has clearly been demonstrated to benefit the patients we serve.

Thus far, MedStar's four Baltimore hospitals have hired 26 community health workers and retained 20 of them against a goal of 27. We have hired 15 peer recovery counselors and have retained 11 against a target of 16. Our retention rate for both roles is 81 percent against our goal of 90 percent.

Beyond the numbers, this program has proved to be such an overwhelming success both for our patients, the participants, and our clinicians. These individuals are connecting with our patients in ways we have never done before. There are many barriers in our patients' lives that negatively impact their health, including transportation challenges, access to healthy food, utility assistance and stable housing. Community health workers and peer recovery counselors are identifying and connecting patients to local services to address these issues, and, in many ways, they are solving the problems that medicine will never be able to address. Our Community Health workers had 683 patient encounters resulting in nearly 4,000 interventions. The Outpatient Peer Recovery team worked with 281 clients and provided 262 referrals to substance abuse resources. The emergency department SBIRT team contributed more than 1,400 linkages to substance abuse treatment. As a result, we have seen improved patient engagement and motivation to improve health.

Our clinicians have truly embraced this additional resource, as well. Clinicians become frustrated when discharging a patient knowing patients are likely to return based on the totality of their social needs. In addition to going to the patient's home, community health workers participate with our interdisciplinary model of care teams to help ensure the patient's care transition is successful. These new teams are integrated within each hospital's care and case management teams, CHAs and PRCs participate in patient huddles and post-discharge care

more-

Knowledge and Compassion  
**Focused on You**

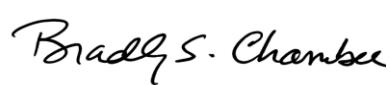
planning. The teams are seen as a critical part of providing comprehensive patient care, and treating the whole person as part of care delivery. They have identified resources in the community we did not know existed. They are often the front line volunteers at various health fairs and have learned to conduct many health screenings.

Lastly, this program has allowed the participants to gain confidence about their employment journey. For some, this is their first job in a professional medical setting and it can be intimidating. We have watched them grow and learn in their jobs and their commitment to helping our patients is inspiring. In fact, several participants are taking additional classes, including professional degree programs, to continue growing their skills.

As implementation of the Total Cost of Care rolls out, these individuals will play a critical role in the success of that initiative. For that reason, in addition to extending the original program, we would ask that you consider increasing the funding available for this purpose.

Thank you for the opportunity comment on this important and successful program.

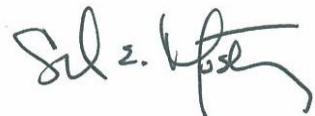
Sincerely,



Bradley S. Chambers  
President, MedStar Union  
Memorial Hospital & MedStar  
Good Samaritan Hospital &  
Senior Vice President, MedStar  
Health



Stuart M. Levine, MD  
President & Chief Medical  
Officer, MedStar Harbor  
Hospital & Senior Vice  
President, MedStar Health



Samuel E. Moskowitz, FACHE  
President, MedStar Franklin  
Square Medical Center &  
Senior Vice President, MedStar  
Health

October 22, 2018

Baltimore Alliance for Careers in Healthcare  
Magdalena Nowosadko, HSCRC Project Manager  
1500 Union Avenue, Suite 1400  
Baltimore, Maryland 21211

**Letter of Support to BACH for Continuation of the HSCRC Jobs Project**

Dear Magdalena,

**Confirmation of support for application: HSCRC Jobs Project**

This letter is to confirm that LifeBridge Health wishes to continue its participation in the proposed continuation of the HSCRC Jobs Project led by The Baltimore Alliance for Careers in Healthcare.

The Baltimore Alliance for Careers in Healthcare (BACH) is providing comprehensive training for Community Health Worker (CHW) candidates. By providing this training, we integrate them into our care teams to help us to better understand our patients and get a total picture of the person, knowing more about their life “outside” of the hospital’s walls.

These CHWs provide an invaluable extension of care deep into our communities. They are effective care team members as they often come from the communities that their clients live, and they are dedicated to helping them live healthier lives through navigation of the health system, sharing resources, advocacy, education and support.

We are committed to continuing to match the financial support necessary to support this important work.

Please do not hesitate to contact me if you need any further information.

Yours sincerely,



Sharon L. McClellan, RN, BSN, MBA/MHA  
Vice President for Clinical Integration, Carroll Hospital  
AVP for Population Health, LifeBridge Health

## **Draft Staff Recommendation for Adjustment to the Payer Differential**

November 14, 2018

Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215  
(410) 764-2605  
FAX: (410) 358-6217

This is a draft recommendation. Comments on the draft policy may be submitted by email to [madeline.jackson@maryland.gov](mailto:madeline.jackson@maryland.gov) and are due by Wednesday, November 21, 2018.

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## DRAFT RECOMMENDATION

Staff is presenting this draft recommendation to increase the public-payer differential from 6.0 percent to 7.7 percent, effective July 1, 2019. Given recent trends of increasing bad-debt write-offs in commercial coverage, it is most equitable that the differential be increased 1.7 percentage points (from the current 6.0 percent to 7.7 percent) to ensure that these costs are not shifted to Medicare and Medicaid. This change accounts for the changes in business practices of private Maryland payers that have resulted in higher bad debt costs.

The State of Maryland has employed a differential since the 1970s whereby public payers (Medicare and Medicaid) pay less than other payers (primarily commercial payers) due to business practices that avert bad debt in hospitals and keep Maryland's hospital costs low. Hospital charges are adjusted via a markup to ensure that the differential's reduction in charges to public payers does not result in a decline in hospitals' total revenue.

This report presents analyses and the staff recommendation to adjust the public-payer differential in order to correct for excess bad-debt write-offs from commercial coverage, which is shifting costs onto Medicare and Medicaid. This adjustment will result in a more equitable distribution of uncompensated care costs and adjust the differential for payers who are averting more bad debt. The HSCRC staff is recommending an effective date of July 1, 2019 to allow for implementation by the Medicare intermediary and other payers. This differential change is not intended to supplant the work of providers to generate savings to Medicare under the All-Payer and Total Cost of Care Model Agreements with CMS, but rather to more accurately and fairly adjust for current trends in uncompensated care resulting from plan design changes of private payers.

## BACKGROUND AND HISTORY

The Maryland Health Services Cost Review Commission (“HSCRC,” or “Commission”) is a state agency with unique regulatory authority. Legally, the HSCRC is authorized to set the rates that Maryland hospitals may charge. These rates form the basis for which all payers in Maryland pay for the provision of hospital services. The federal government granted Maryland the authority to set hospital payment rates for Medicare as part of its all-payer hospital rate-setting system administered by the HSCRC. This all-payer rate-setting approach, which has been in place since 1977, eliminates cost-shifting among payers, while also appropriately accounting for certain differences among payers.

At the inception of the first Medicare waiver in 1977, a payer differential was established based on business practices of payers that helped to avert bad debt to hospitals such as prompt payment and insuring high-risk individuals. It is referred to as a differential rather than a discount, because the differential in payments is built into hospitals' rate structures.

Initially, the HSCRC allowed some private carriers to pay Maryland hospitals four percent less than a hospital's approved rates, with an additional reduction available contingent upon compliance with HSCRC prompt pay regulations. This four percent reduction program, known as Substantial, Available and Affordable Coverage (SAAC), encouraged the provision of health care coverage to high-risk individuals, thereby averting bad debt and reducing uncompensated care at Maryland hospitals. The HSCRC adopted specific requirements for a non-governmental payer to be eligible for the SAAC program. For example, in order to obtain the SAAC discount, a payer was required to provide annually, at a minimum, an open enrollment period of 60 days, comprised of two 30-day periods at least five months apart. Such open enrollment, required to be advertised to the public, would allow for individuals or families to purchase health insurance coverage, without a medical exam or medical screening (referred to as medical underwriting), at a standard, affordable price. The SAAC program and the provision of health insurance to those that may not otherwise have afforded health insurance helped to avert bad debt or non-payment to hospitals.

In 1999, however, the HSCRC decided to examine whether the SAAC policy was achieving its intended purposes in light of numerous complaints regarding changing payer practices. Among the complaints, it was reported that the coverage provided under these SAAC plans was not substantial. For example, many of the policies offered lacked substantial, or any, prescription drug coverage. There were also complaints about availability indicating the gradual shortening of open enrollment timeframes. Furthermore, the employer market became increasingly self-insured, and the SAAC differential was being passed on to the self-insured employers as an administrative benefit, rather than being used to lower the cost of coverage to high-risk individuals. Upon examination, the HSCRC determined that the cost of the SAAC discount greatly outweighed the hospital savings generated by the open enrollment program and the provision of health insurance afforded to high risk individuals. In 2001, recognizing

shortcomings of the SAAC program, the legislature required SAAC providers to contribute 37.5 percent of the value of the differential to a Short-Term Prescription Drug Subsidy Plan. The SAAC program was finally discontinued in 2003.

The SAAC program was eventually replaced by the Maryland Health Insurance Program (MHIP), a program that subsidized high-risk individuals who could not obtain medically underwritten coverage or had to pay higher rates to obtain coverage. MHIP was funded through an assessment of the aggregate value of the SAAC discount, or 0.08128 of Net Patient Revenue. In FY 2009 the assessment on hospital rates was increased to one percent of Net Patient Revenue. The MHIP program was discontinued in 2014 after the implementation of the Affordable Care Act which increased availability of coverage for high-risk individuals and expanded Medicaid eligibility. The assessment to pay for the program was also rescinded and savings were generated to all payers in the system.

All payers were still allowed to pay Maryland hospitals two percent less than the hospitals' approved rates if the HSCRC requirements for prompt payment were met, and 2.25 percent less if they provided current financing equivalent to payment upon admission. The two percent reduction is currently made available to all payers other than Medicare.

## **ASSESSMENT OF CHANGING BUSINESS PRACTICES**

While expansion of coverage under the Affordable Care Act has contributed to a large increase in averted bad debt at hospitals and a subsequent decline in uncompensated care, rising deductibles and coinsurance have resulted in increased levels of uncompensated care for privately covered beneficiaries. The following section provides information on uncompensated care trends, health care coverage, and more detailed information on plan design trends for private payers in Maryland.

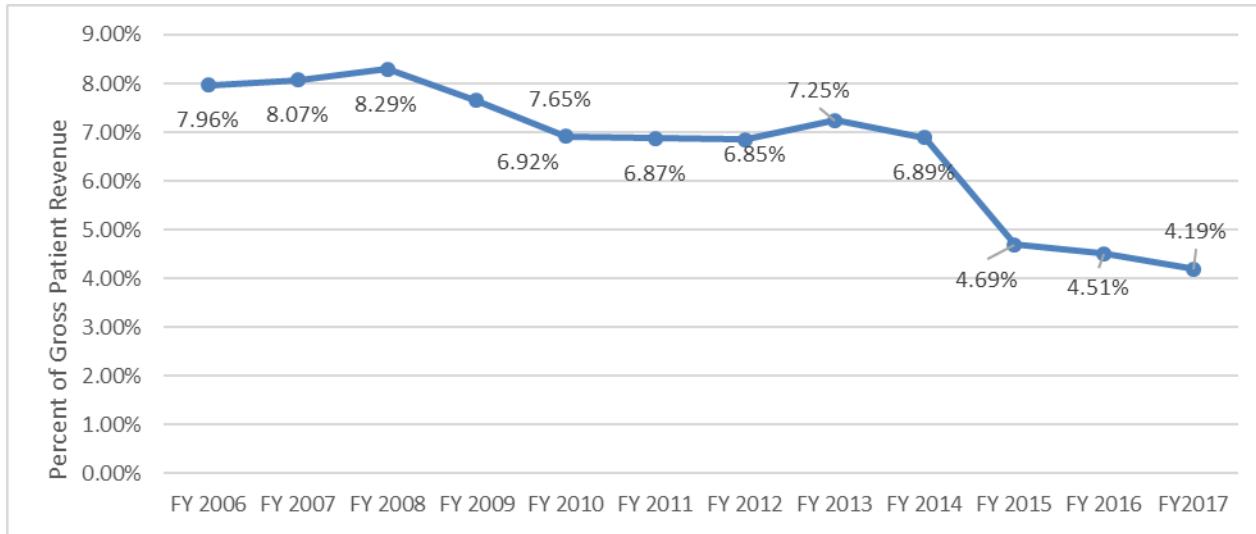
### Uncompensated Care Trends

The share of hospital revenues attributed to uncompensated care has been declining in Maryland. This decline aligns with the increase in insurance coverage due to the 2007 Maryland Medicaid expansion and the expansion of Medicaid in 2014 under the Affordable Care Act (ACA). Uncompensated care, as a percentage of total patient revenue, has been reduced from 7.25 percent in 2013 (pre-ACA Medicaid Expansion) to 4.19 percent in 2017, a 3.06 percentage point reduction or a 42.2 percent decrease in uncompensated care. The HSCRC adjusts hospital rates overall to reflect state-wide levels of uncompensated care, based on state-wide averages derived from hospitals' most recent annual reports filed with the Commission. When the ACA provided a significant expansion of Medicaid in CY 2014, the HSCRC began reducing hospitals' rates on July 1, 2014 and July 1, 2015, before information was available from annual reports. While there was a lag in removing uncompensated care from rates, at the same time, there was an increase in Medicaid utilization resulting from the expansion. As a result, hospitals were overfunded for uncompensated care, but underfunded for utilization resulting from the expansion. This was resolved through a hospital specific adjustment for Medicaid expansion and a return to using annual reports and the source of uncompensated care for making the state-wide

## Recommendation for Adjustment to the Differential

uncompensated care adjustment beginning July 1, 2016. All payers received the benefit of the 3.06 percentage point reduction in uncompensated care through hospital revenue reductions.

**Figure 1.** Actual Uncompensated Care Percentage of Gross Patient Revenue FY2006-FY2017

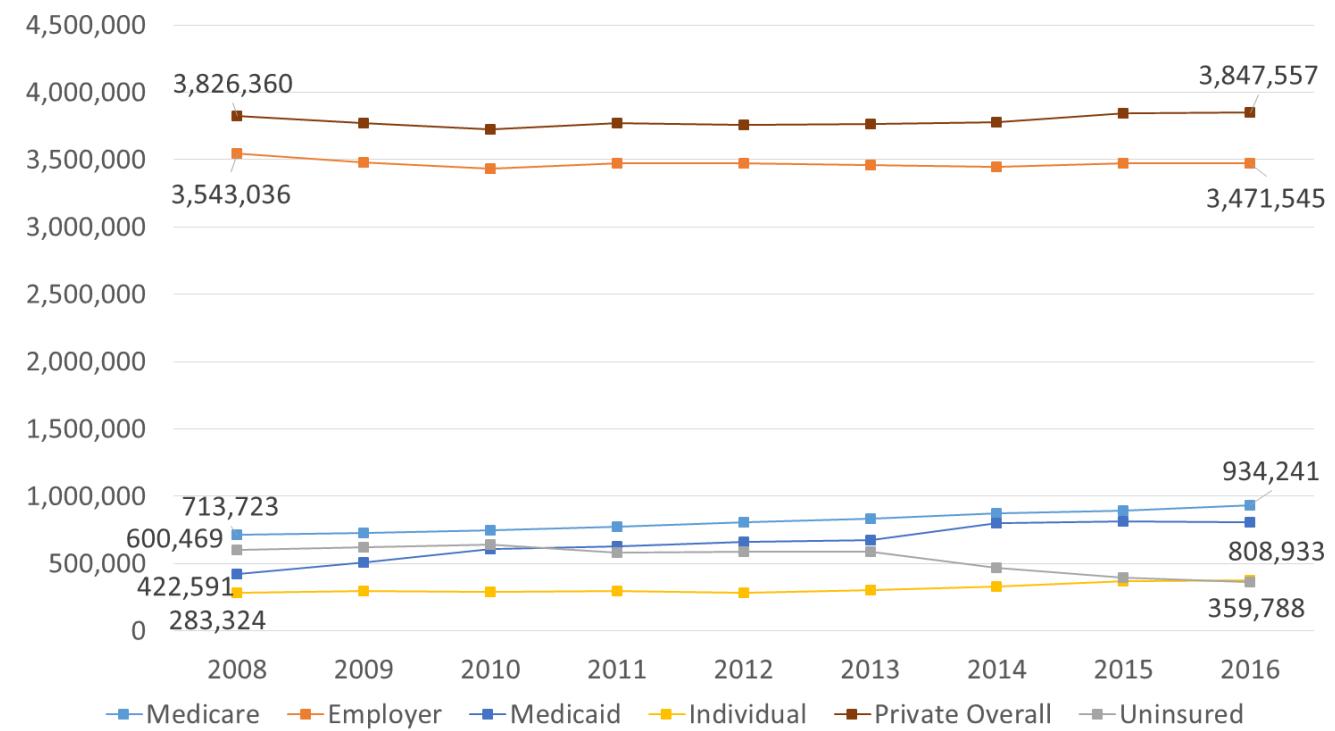


Source: HSCRC Historical Financial Data

### Changes in Payer Enrollment

The uncompensated care reduction resulted from an overall increase in health insurance coverage, mainly from the ACA Medicaid expansion. Figure 2 shows the trend of enrollment for Medicaid, individual insurance, employer-sponsored insurance, and aggregate private insurance (aggregate of individual, small group, and large group enrollees), as well as the trend for uninsured individuals, between 2008 and 2016.

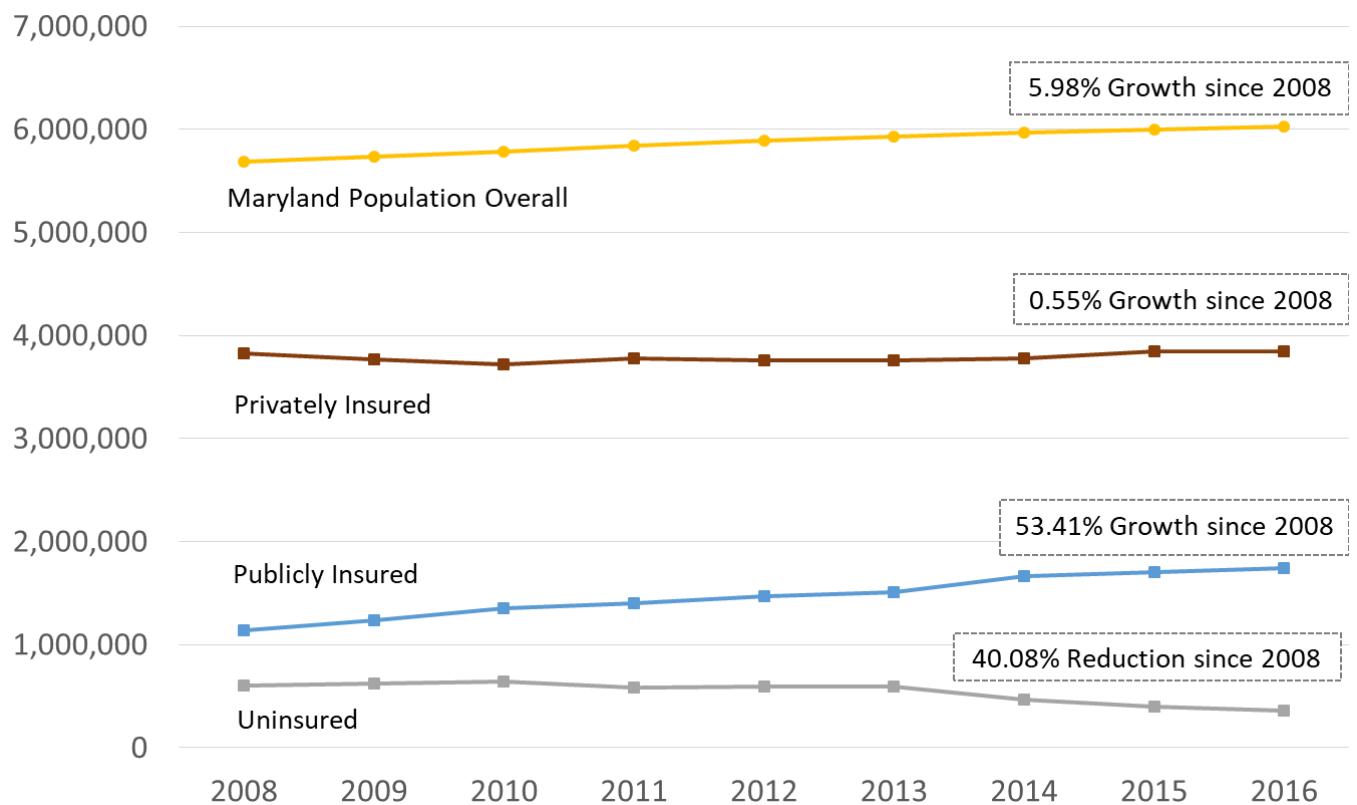
**Figure 2.** Maryland Health Insurance Coverage by Payer type and Uninsured, CY2008-CY2016.



Source: SHADAC Analysis of the American Community Survey (ACS). <http://statehealthcompare.shadac.org/trend/11/health-insurance-coverage-type-by-total#0/1/5/1.2.3.4.5.6.7.8.15/21> and Maryland Department of Health, Office of Healthcare Financing, Accessed June 2018.

While there is little increase overall in privately insured beneficiaries (small and large employers and individual combined), there was an increase of 92,688 people (32.7 percent) enrolled in the individual market. Employer coverage has decreased by 71,491 people, or 2.0 percent. Since 2008, Medicaid enrollment has increased by 386,342 people (91.4 percent overall), with a sharp uptick in Maryland's Medicaid enrollment in 2014 as Maryland Medicaid expanded eligibility under the ACA. As a result of the ACA, the uninsured population has decreased by 240,681 people, or 40.1 percent. Over the same time period, aggregated private health coverage (individual and employer) has only increased by 21,197 people (0.6 percent), significantly less than the population growth rate (0.66 percent average and 5.98 percent growth since 2008) and the 606,860 people newly enrolled in public coverage from Medicare and Medicaid, a 53.4 percent increase. (Figure 3).

**Figure 3.** Maryland Population Growth and Health Care Coverage, CY2008-CY2016



#### *Private Insurance through the Maryland Health Benefit Exchange*

While the uninsured rate in Maryland dropped precipitously between 2012 and 2015 (during the ACA expansion), it appears that this decrease can be attributed more closely to increases in Medicaid enrollment than a large uptake on the individual exchanges. CY2016 estimates of Maryland's marketplace enrollment among potential enrollees show that only 35 percent of eligible enrollees have signed up.<sup>1</sup> A Department of Legislative Services report from 2017 notes that the largest drops in the uninsured rate were for Marylanders at 0-138 percent and 139-200 percent brackets of the federal poverty guidelines (FPG); higher income Marylanders (201-400 percent FPG), who could enroll in private insurance on the exchanges, did not have the same magnitude decrease in their uninsured rates.<sup>1</sup>

Although Maryland already had a subsidized high risk product available to individuals prior to the ACA expansion with the Maryland Health Insurance Plan ("MHIP"), many other existing

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<sup>1</sup>Maryland Department of Legislative Services. Assessing the Impact of Health Care Reform In Maryland. January 2017. <http://mgaleg.maryland.gov/pubs/legislegal/2017-impact-health-care-reform.pdf>

individual policies offered by private carriers were required to expand their benefits under the ACA. CareFirst and Kaiser Permanente provided most of the new individual policies. These policies resulted in losses due to low risk individuals enrolling at a level less than projected, and federal subsidies and premiums not adequately covering costs. During the 2018 legislative session, the State legislature passed legislation to provide relief for insurers providing these products. As a result, a reinsurance program will be established to provide stability in the individual markets and cover some of the losses from the adverse selection noted above.

*Private Insurance Offered by Employers*

Overall, uptake of employer-sponsored health insurance plans has also dropped in Maryland. Between 2012 and 2015, employee uptake with small group insurance dropped from 72.4 percent to 64.8 percent, and dropped from 78.0 percent to 74.0 percent for large group employers.<sup>1</sup> Medicaid expansion and individual market options may be contributing to this decline.

Commercial Insurance Plan Design Changes

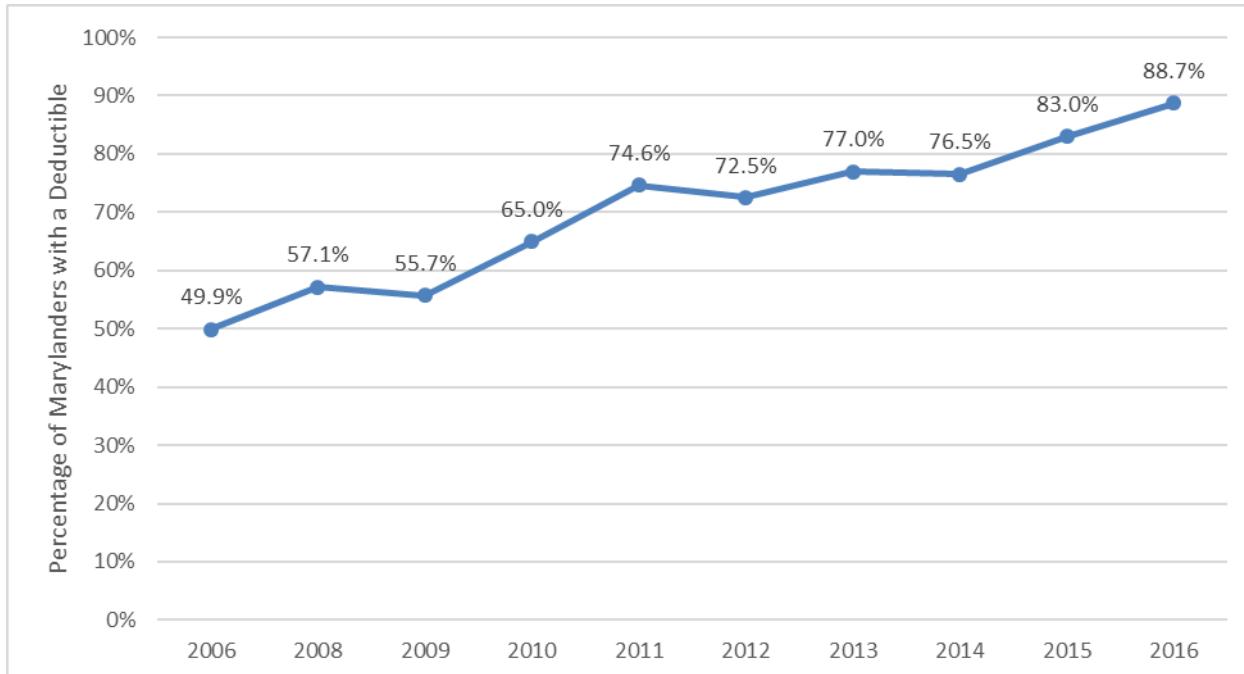
In recent years, private payers have changed plan benefit design to help address growing healthcare costs, as well as address the plan design requirements for individual policies offered under the ACA guidelines. Plans in Maryland, and nationally, are increasingly reliant on beneficiaries to cover larger portions of their care. The share of privately insured Marylanders with a deductible has increased from 49.9 percent in 2006 to 88.7 percent as of 2016. Enrollment in high-deductible health plans has also increased: 44 percent of privately insured Marylanders are now enrolled in a plan with deductibles of at least \$1,300 for an individual and \$2,600 for a family.<sup>2</sup> Furthermore, average deductibles in Maryland have increased at a rate far outpacing the Consumer Price Index (CPI) for both urban consumers (CPI-U) and medical care (CPI-MC).

**Figure 4.** Percent of Maryland private-sector employees enrolled in a health insurance plan with deductible (CY2002-CY2016)

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<sup>2</sup> Medical Expenditure Panel Survey (MEPS) Insurance Component, Accessed June 23, 2017  
[https://meps.ahrq.gov/mepsweb/data\\_stats/MEPSnetIC.jsp](https://meps.ahrq.gov/mepsweb/data_stats/MEPSnetIC.jsp)

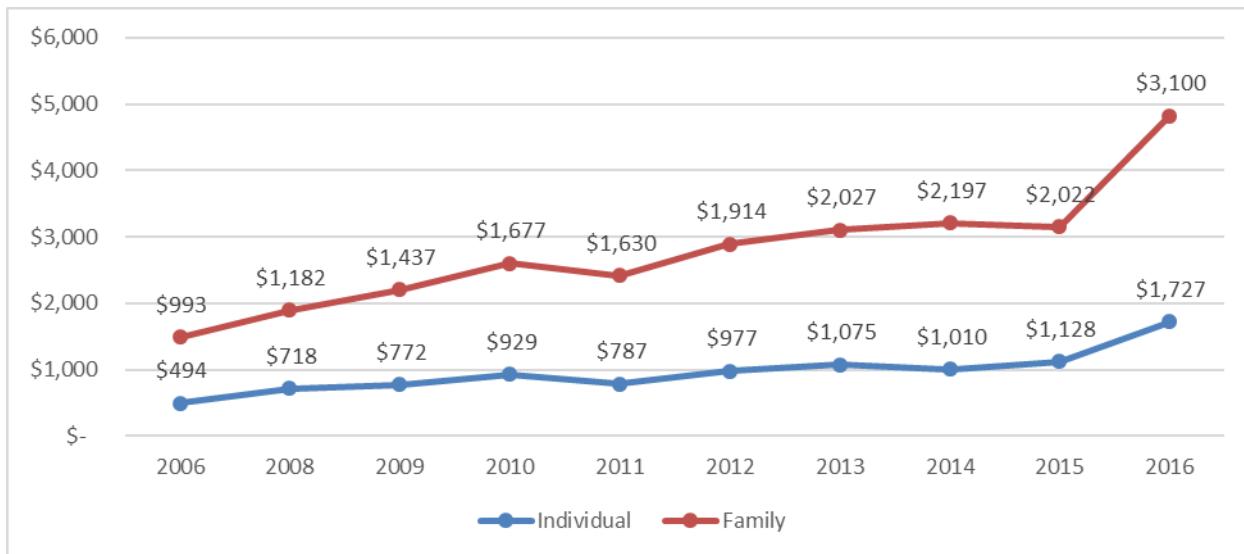
### Recommendation for Adjustment to the Differential



Source: Medical Expenditure Panel Survey (MEPS) Insurance Component, Accessed June 23, 2017.

[https://meps.ahrq.gov/mepsweb/data\\_stats/MEPSnetIC.jsp](https://meps.ahrq.gov/mepsweb/data_stats/MEPSnetIC.jsp)

**Figure 5. Maryland Average Deductibles for Private Insurance, Unadjusted (CY2002-CY2016)**



Source: Medical Expenditure Panel Survey (MEPS) Insurance Component, Accessed June 23, 2017.

[https://meps.ahrq.gov/mepsweb/data\\_stats/MEPSnetIC.jsp](https://meps.ahrq.gov/mepsweb/data_stats/MEPSnetIC.jsp)

While the plan design changes are aimed at encouraging individual attention to cost levels, the HSCRC staff does not believe it is equitable to have the related uncompensated care allocated to all payers. Deductibles have increased three-fold since 2006, and twice as many Marylanders are

exposed to the rapidly increasing cost burden imposed by deductibles, thereby increasing the level of private payer uncompensated care at hospitals.

#### Hospital Bad Debt Share by Payer

As a result of the trends noted above, HSCRC staff is concerned that public payers are unduly burdened with the bad debts of private payers. Until recently, HSCRC did not have reliable data to evaluate the impact of increased bad debts for these changing plan designs. The HSCRC used a regression adjustment to estimate predicted bad debt levels for hospitals. Medicaid payer percentages were used to estimate expected charity levels, but with the expansion of Medicaid under the ACA, the relationships used in the regression were no longer valid. Since 2015, HSCRC collected actual write-offs at the account level and matched the write-offs to the case-mix data. Upon collection of this data, HSCRC was able to create new and more accurate estimates of predicted uncompensated care. Staff also evaluated differences in write-offs of patient balances for insured patients. The HSCRC has now collected and analyzed several years of actual write-off data. The data below show a consistent pattern: commercial payer write-off rates are significantly higher than Medicare and Medicaid write-off rates.

**Table 1.** Maryland Bad Debt to Hospitals, by Payer (FY2015-CY2017)

	Medicare and Medicaid	Commercial	Difference
FY 2015	2.2%	3.6%	1.4%
FY 2016	2.1%	3.8%	1.7%
FY 2017	1.8%	3.6%	1.9%
<b>Change</b>	<b>-0.5%</b>	<b>0.0%</b>	

According to FY 2017 write-off data, commercial payers' bad-debt write-off rate (3.6 percent) is much higher than the combined rate for Medicare and Medicaid (1.8 percent). If these percentages were applied to FY 2019 revenues, they would translate to approximately \$100 million more in write-offs for commercial payers than for Medicare and Medicaid. Of this \$100 million, approximately \$67 million would be allocated to Medicare and Medicaid through uncompensated care payments funded through hospital rates.

#### Proposed Change in the Differential

The HSCRC staff believes that this allocation should be corrected through an increase in the differential by 1.7 percentage points in CY 2019. This increase would result in:

- A lower cost to Medicare of approximately \$40 million;
- A lower cost to Medicaid of approximately \$27 million; and
- An increase in overall commercial payer costs of \$67 million, or 0.4 percent, assuming commercial costs reflect approximately one-third of total hospital costs.

The adjustment in the differential is being made to change the allocation of uncompensated care to Medicaid and Medicare. When it is implemented, it will have a revenue neutral effect on

hospitals, providing neither more nor less net revenue for each hospital through the formulaic adjustment that is made each year to the mark up for uncompensated care and payer differential. Private payers will see an increase in hospital payments of approximately 1.2 percent (which represents an overall increase of approximately 0.4 percent), while Medicare and Medicaid will see a corresponding decrease in their net payments of 0.7 percent as a result of the higher differential afforded.

This adjustment will ensure more equitable cost allocation going forward, consistent with the HSCRC's statutory mandate.

## **RECOMMENDATION**

Based on the assessment above, staff recommends the following, effective July 1, 2019:

- 1) Increase the differential by 1.7 percentage points (from the current 6.0 percent to 7.7 percent) to more equitably allocate higher uncompensated care costs incurred by commercially insured patients. This adjustment will be made through the hospital mark-up adjustment, which will provide a net revenue neutral result for hospitals.
- 2) To assure that the savings from the differential adjustment is not used to justify an increase to rates in a future rate year, the staff recommends that the cost reduction to Medicare as a result of the change in the differential be removed from the Total Cost of Care performance evaluation when establishing future annual updates. Furthermore, the savings associated with the increased differential should not supplant hospital savings needed to meet the annual savings goals required by the TCOC contract.
- 3) Similarly, the savings to Medicare resulting from the differential adjustment should not be included in the trend factor used to calculate a hospital's performance under the Medicare Total Cost of Care algorithm.
- 4) The Commission should develop and adopt policies that prioritize the use of the All-Payer rate reductions and the Medicare Performance Adjustment as a means to account for costs and savings to the system. The success of the TCOC Model is dependent on improving care and health, reducing avoidable utilization, and providing efficient and effective quality health care services. To this end, the Commission should not use changes to the differential to meet Medicare total cost of care performance requirements.
- 5) It is the intent of the Commission to make this a one-time adjustment at the beginning of the TCOC Model, as permitted by the contract, to correct for cost inequities and to avoid future changes to the public-payer differential to assure stability of the system and to preserve the all-payer nature of the Maryland Model.

## **Draft Recommendations for Updating the Quality-Based Reimbursement Program for Rate Year 2021**

November 14, 2018

Health Services Cost Review Commission  
4160 Patterson Avenue  
Baltimore, Maryland 21215  
(410) 764-2605  
FAX: (410) 358-6217

This document contains the draft staff recommendations for updating the Quality Based Reimbursement Program for RY 2021. Comments on the draft policy may be submitted by email to [hscrc.quality@maryland.gov](mailto:hscrc.quality@maryland.gov) and are due by Tuesday, November 20, 2018.

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## LIST OF ABBREVIATIONS

CDC	Centers for Disease Control & Prevention
CAUTI	Catheter-associated urinary tract infection
CDIFF	Clostridium Difficile infection
CLABSI	Central line-associated blood stream infections
CMS	Centers for Medicare & Medicaid Services
DRG	Diagnosis-related group
ED	Emergency department
FFY	Federal fiscal year
HCAHPS	Hospital Consumer Assessment of Healthcare Providers and Systems
HSCRC	Health Services Cost Review Commission
MRSA	Methicillin-resistant staphylococcus aureus
NHSN	National Health Safety Network
PQI	Prevention quality indicators
QBR	Quality-Based Reimbursement
RY	Maryland HSCRC Rate Year
SIR	Standardized infection ratio
SSI	Surgical site infection
THA/TKA	Total hip and knee arthroplasty risk standardized complication rate
VBP	Value-Based Purchasing

## EXECUTIVE SUMMARY

This document puts forth RY 2021 Quality-Based Reimbursement (QBR) draft policy recommendations that include maintaining the RY 2020 quality domains, scoring approach, and pre-set revenue adjustment scale. This draft also proposes minimal changes to the program measures, as outlined in the draft recommendations below.

### Draft Recommendations for RY 2021 QBR Program

1. Implement the following **measure updates**:
  - A. **Add the Total Hip Arthroplasty/Total Knee Arthroplasty Risk-Standardized Complication Rate measure** to the Clinical Care Domain, and weight the measure at 5% to align with the National VBP program;
  - B. **Remove the PC-01 and ED-1b measures** commensurate with their removal from the CMS VBP and IQR programs respectively.
2. Continue **Domain Weighting** as follows for determining hospitals' overall performance scores: Person and Community Engagement - 50%, Safety (NHSN measures) - 35%, Clinical Care - 15%.
3. Maintain the **pre-set scale** (0-80% with cut-point at 45%), and continue to hold 2% of inpatient revenue at-risk (rewards and penalties) for the QBR program.

## INTRODUCTION

The Maryland Health Services Cost Review Commission's (HSCRC's or Commission's) Quality Based Reimbursement (QBR) program is one of several pay for performance initiatives that provide incentives for hospitals to improve patient care and value over time. Under the current five-year All-Payer Model Agreement between Maryland and the Centers for Medicare & Medicaid Services (CMS), effective through December 2018, there are specific quality performance requirements, including reducing Medicare readmissions to below the national average and reducing hospital complications by 30% over 5 years. Maryland is on target to meet or exceed both of these targets. The QBR program had no stated performance requirements in the All-Payer Model. However, the Commission has prioritized aligning the QBR program with the federal Value Based Purchasing (VBP) program and has attempted to encourage improvement in areas where Maryland has exhibited poor performance relative to the nation. As Maryland enters into a new Total Cost of Care (TCOC) Model Agreement with CMS on January 1, 2019, performance standards and targets in HSCRC's portfolio of quality and value-based payment programs will be updated. In the first year of the TCOC Model, staff will seek to revise two of the Commission's Quality programs, the Maryland Hospital Acquired Complications program and the Potentially Avoidable Utilization program, per directives from HSCRC Commissioners.<sup>1</sup> The QBR program will include new measures but will largely remain similar to prior iterations of the policy.

A central tenet of the healthcare reform in Maryland since 2014 is that hospitals are funded under Population Based Revenue, a fixed annual revenue cap that is adjusted for inflation, quality performance, reductions in potentially avoidable utilization, market shifts, and demographic growth. Under the Population Based Revenue system, hospitals are incentivized to transition services across the continuum of care and may keep savings that they achieve via improved quality of care (e.g., reduced avoidable utilization, readmissions, hospital acquired infections). On the other hand, constraining hospital resources can have unintended consequences, including declining quality of care. Thus, HSCRC Quality programs must reward quality improvements and reinforce the incentives of the Population Based Revenue system, as well as penalize poor performance and potential unintended consequences.

Maryland's exemptions from national quality programs are essential because the Population Based Revenue system benefits from having autonomous, quality-based measurement and payment initiatives that set consistent all-payer quality incentives. Furthermore, these exemptions afford Maryland the flexibility to select performance measures and targets in areas where improvement is needed, and allow Maryland to develop programs with greater potential for system transformation. For example, unlike the national VBP program, QBR does not

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<sup>1</sup> In the fall of 2017, HSCRC Commissioners with staff support conducted several strategic planning sessions to outline priorities and guiding principles for the upcoming Total Cost of Care Model. Based on these sessions, the HSCRC developed a Critical Action Plan that delineates timelines for review and possible revisions of financial and quality methodologies, as well as other staff operations.

relatively rank hospitals, but instead provides all hospitals the opportunity to earn rewards, which are determined using a prospective revenue adjustment scale. Under the TCOC Model, the State will receive exemptions from the CMS Hospital Acquired Conditions (HAC) program, Hospital Readmission Reduction program (HRRP), and Value-Based Purchasing (VBP) program based on annual reports to CMS that demonstrate that Maryland's program results continue to be aggressive and progressive, meeting or surpassing those of the nation.

The QBR program measures and domains are similar to those of the VBP program, but there are a few differences. Most notably, QBR does not include an Efficiency domain, and HSCRC has put higher weight on the Person and Community Engagement and Safety domains to encourage improvement. Staff recommends retaining this approach for the current draft policy. The HSCRC staff plans to expand the Potentially Avoidable Utilization (PAU) definition to incorporate other categories of unnecessary and avoidable utilization, and to incorporate other measures of efficiency based on per beneficiary measures.<sup>2</sup> In addition, the Medicare Performance Adjustment is also a measure of TCOC Efficiency that can be considered under the aggregate revenue at-risk across quality programs.

The HSCRC incorporates more comprehensive measures relative to the VBP program, most notably an all-cause, Maryland mortality measure versus VBP's condition-specific mortality measures, but generally the Commission tries to align the QBR program to measures of national import. For this reason, staff is recommending to incorporate into the RY 2021 QBR policy complication measures related to elective total hip and knee arthroplasties. Staff will also recommend to discontinue the use of various measures that will no longer have a federal data source (e.g., early elective delivery and emergency room wait time from time of arrival to admission), and staff will not recommend to adopt additional emergency room wait time measures at this time.

This report provides draft recommendations for updates to Maryland's QBR program for Rate Year (RY) 2021. The QBR program has potential scaled penalties or rewards of up to 2% of inpatient revenue. Hospital's performance is assessed relative to national standards for its Safety and Person and Community Engagement domains. For the Clinical Care domain, the program uses Maryland-specific standards for the inpatient mortality measure, and proposes to use national standards for the new hip and knee complication measure.

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<sup>2</sup> Maryland has implemented an efficiency measure in the Population Based Revenue system, based on a calculation of potentially avoidable utilization (PAU), but it has not made efficiency part of its core quality programs as a domain because the revenue system fundamentally incentivizes improved efficiency. PAU is currently defined as the costs of readmissions, and of admissions measured by the Agency for Healthcare Research and Quality Prevention Quality Indicators (PQIs).

## BACKGROUND

The Affordable Care Act established the hospital Medicare Value-Based Purchasing (VBP) program,<sup>3</sup> which requires CMS to reward hospitals with incentive payments for the quality of care provided to Medicare beneficiaries. While the QBR program has many similarities to the federal Medicare VBP program, it differs in some ways as Maryland's unique Model Agreements and autonomous position allow the State to be innovative and progressive. Figure 1 below compares the RY 2020 QBR measures and domain weights to those used in the CMS VBP program.

**Figure 1. RY 2020 Proposed QBR Measures and Domain Weights Compared with CMS VBP Programs<sup>4</sup>**

	<b>Maryland QBR Domain Weights and Measures</b>	<b>CMS VBP Domain Weights and Measures</b>
<b>Clinical Care</b>	15% (1 measure: all cause inpatient Mortality)	25% (4 measures: 3 condition-specific Mortality, THA/TKA measure)
<b>Person and Community Engagement</b>	50% (8 HCAHPS measures, 2 ED wait time measure)	25% (Same HCAHPS measures, no ED wait time measures)
<b>Safety</b>	35% (6 measures: CDC NHSN HAI)	25% (7 measures: 6 CDC NHSN, PSI-90)
<b>Efficiency</b>	N/A	25% (Medicare Spending Per Beneficiary measure)

In the RY 2019 QBR recommendation, the Commission also approved moving to a preset scale based on national performance to ensure that QBR revenue adjustments are linked to Maryland hospital performance relative to the nation. Prior to RY 2019, Maryland hospitals were evaluated by national thresholds and benchmarks, but their scores were then scaled in accordance with Maryland performance, i.e., if the top performing hospital had an overall score of 57%, this became the high end of the scale by which all other Maryland hospitals were judged. This policy resulted in Maryland hospitals receiving financial rewards despite falling behind the nation in performance. Consequently, the scale is now 0 to 80% regardless of the highest performing hospital's score, and the cutoff by which a hospital earns rewards is 45%. This reward cutoff was based on an analysis of FFY 2017 data that indicated that the average national score using Maryland domain weights (i.e., without the Efficiency domain) was 41%; thus, the 45% incentivizes performance better than the nation.

The methodology for calculating hospital QBR scores and associated inpatient revenue adjustments has remained essentially unchanged since RY 2019, and involves: 1) assessing

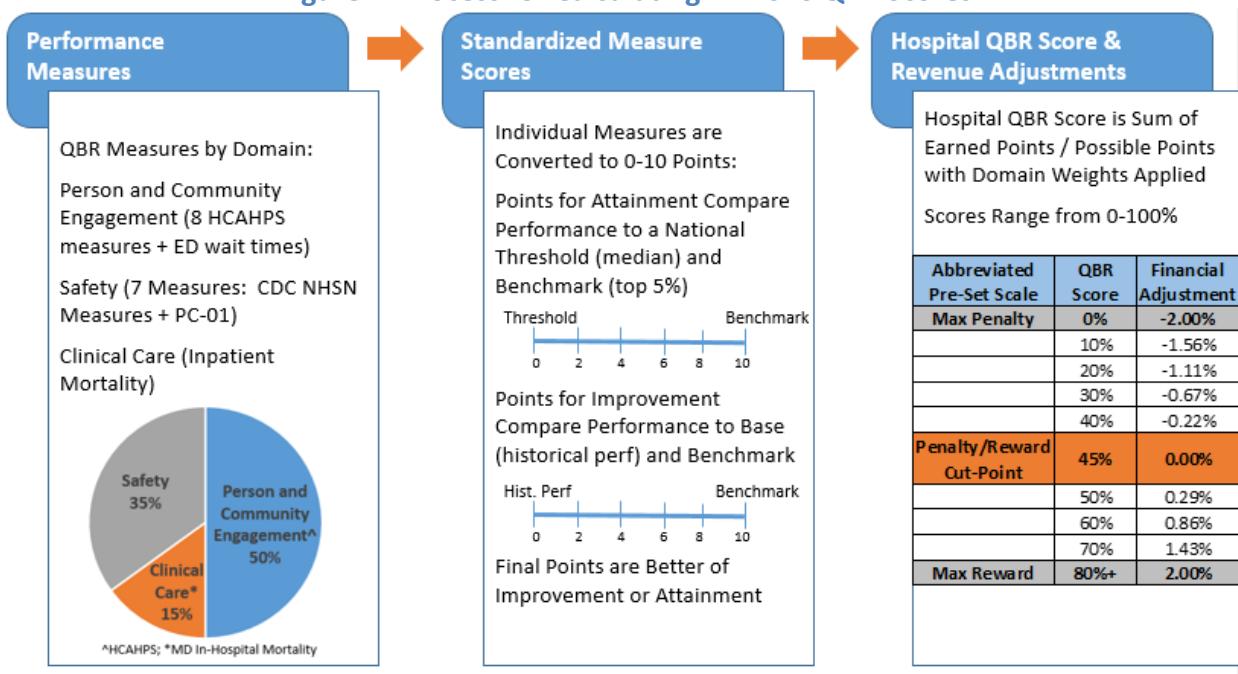
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<sup>3</sup> For more information on the VBP program, see <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/hospital-value-based-purchasing/index.html?redirect=/Hospital-Value-Based-Purchasing/>

<sup>4</sup> Details of CMS VBP measures may be found at: <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/Measure-Methodology.html>.

performance on each measure in the domain; 2) standardizing measure scores relative to performance standards; 3) calculating the total points a hospital earned divided by the total possible points for each domain; 4) finalizing the total hospital QBR score (0-100%) by weighting the domains based on the overall percentage or importance the Commission has placed on each domain; and 5) converting the total hospital QBR scores into revenue adjustments using the preset scale that ranges from 0 to 80%, as aforementioned. The methodology is illustrated in Figure 2 below.

**Figure 2. Process for Calculating RY 2020 QBR Scores**



Appendix I contains further background and technical details about the QBR and VBP programs.

## ASSESSMENT

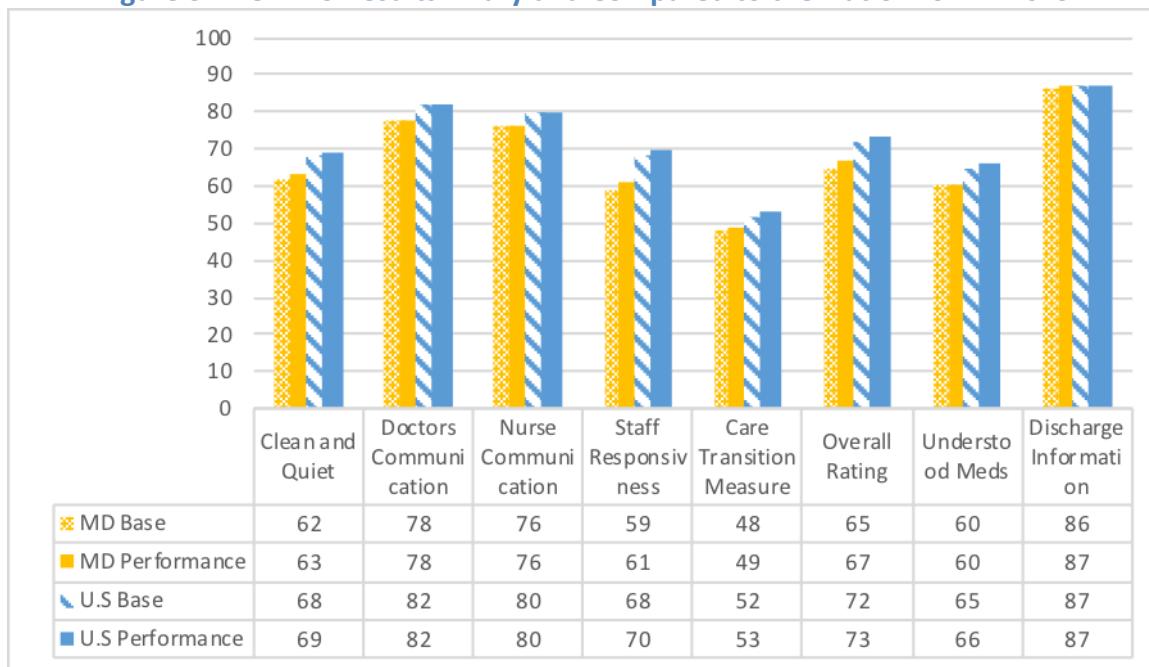
The purpose of this section is to assess Maryland's performance on current and potential QBR measures within each domain that, together with the deliberations of the Performance Measurement Workgroup (PMWG), serve as the basis for the recommendations for the RY 2021 QBR program. In addition, the staff have modeled the QBR revenue adjustments with the recommended changes.

### Maryland Performance by QBR Domain

The **Person and Community Engagement** domain measures performance using the HCAHPS patient survey, as well as two emergency department wait time measures for admitted patients. The addition of the emergency department wait time measures is an example of Maryland's quality programs differing from the nation to target an area of concern.

Figure 3 provides the HCAHPS measure results for the RY2019 base and performance periods for Maryland and the Nation. It shows that Maryland improved by 1-3% on 5 out of 8 of the measures; however, the nation also improved on five of the measures. In summary, the gap between Maryland and the nation was reduced by approximately 1% for the “discharge information” measure and the “overall rating” measure; the gap between Maryland and nation for “understood medication” widened by 1% because Maryland’s score remained constant and the nation improved; and for all other measures, the gap remained the same.

**Figure 3. HCAHPS Results: Maryland Compared to the Nation for RY 2019**



\*Time period Calendar Year 2015 (Base); 10/2016 to 9/2017 (Performance)

While the statewide data suggests that Maryland continues to lag behind the nation on HCAHPS measures, there is variability in performance across individual hospitals, with some performing better than the national average on each measure. Furthermore, while the statewide improvements were modest, there were individual hospitals with significant improvements on each measure (Appendix II).

It should be noted that hospital stakeholders have raised concerns about HCAHPS patient mix adjustment changes between the base and performance periods. CMS has advised staff that these changes occur on an ongoing basis, and that the most recent changes are not considered materially significant for the VBP program. Further, staff believes that the changes in any given year may slightly benefit or disadvantage each hospital on their respective QBR scores, but recognize the use of the prospective preset scale may make this issue more of a concern in Maryland. Therefore, staff will evaluate the impact of the patient mix adjustment changes for RY 2019 and RY 2020, but does not support retrospective QBR revenue adjustments. Staff may re-visit this position with the Commission should analysis determine the patient mix adjustment

changes are materially significant. For RY2021 it is unknown whether there will be any patient mix adjustment changes, but staff will assess any changes that occur.

Emergency department wait time measures have been publicly reported nationally on Hospital Compare since 2012 for patients admitted (ED-1b and ED-2b), and since 2014 for patients treated and released (OP-18b). Based upon Maryland's sustained poor performance on these ED throughput measures, the Commission voted to include the two ED Wait Time measures for admitted patients as part of the QBR program for RY 2020.<sup>5</sup> However, staff notes that the impact of adding the measures to the QBR program cannot be assessed at this time, since the data are lagged by 9 months and will not be available for the complete RY 2020 performance period until the fall of 2019. As the Hospital Compare quarterly data is released, staff will assess any emerging changes in the trends. The measure definitions are provided below in Figure 4.

**Figure 4. CMS ED Wait Time Measures**

<b>Measure ID</b>	<b>Measure Title</b>
ED-1b	Median time from emergency department arrival to emergency department departure for admitted emergency department patients
ED-2b	Admit decision time to emergency department departure time for admitted patient
OP-18*	Emergency department arrival time to departure time for discharged patients.

\*OP-18 is not recommended to be a measure in the RY 2021 Program. OP-18b strata includes non-psychiatric patients and OP-18c strata includes psychiatric patients.

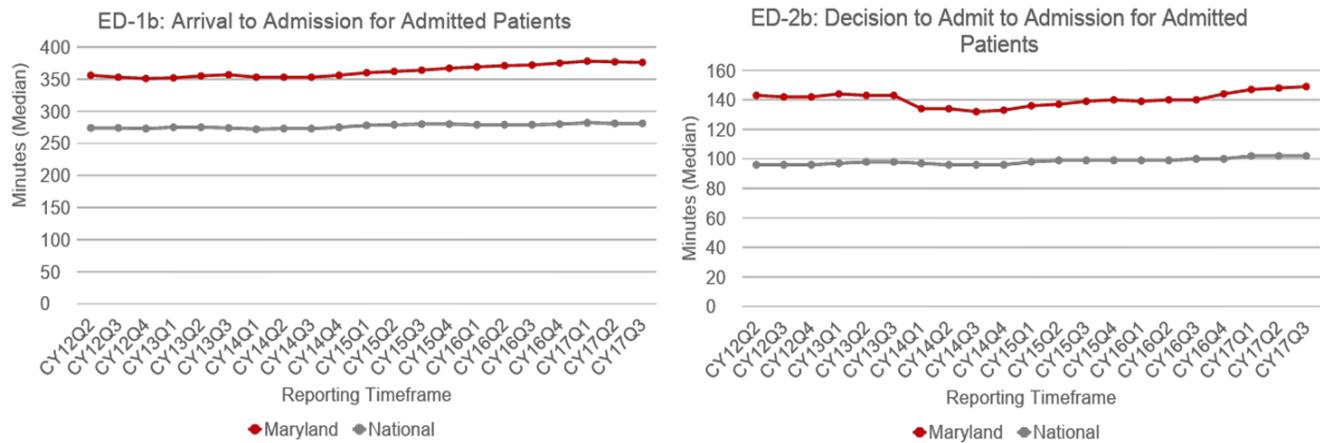
Based on the most current data available, Maryland continues to perform poorly on the ED wait time measures compared to the nation, as illustrated in Figure 4 below. At the hospital level, the most recent data show approximately 85% of Maryland hospitals perform worse than the national median in ED wait times.<sup>6</sup>

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<sup>5</sup> Staff believes that poor ED wait times may also be contributing to less favorable hospital HCAHPS scores, based on analysis of statistical correlation done last year when the RY 2020 policy was adopted.

<sup>6</sup> 93% of Maryland hospitals perform worse than the nation in ED-1b, 78% perform worse than the nation in ED-2b, and 82% perform worse on OB-18b. The median wait times are adjusted based upon ED volume. These results are similar to the 80% reported in RY2020 policy.

**Figure 5. Maryland Statewide ED Wait Time Trends for Admitted Patients Compared to the Nation, Q2 2012 to Q32017.**



For RY 2021, staff recommends that the QBR program include only the ED-2b measure, as CMS has discontinued mandatory data collection for ED-1b after CY 2018. In the latest final rule, CMS removed or de-duplicated 39 measures from the hospital Inpatient Quality Reporting program to focus measurement on the most critical quality issues with the least burden for clinicians and providers. While ED-1b was removed from CMS reporting, it should be noted that the Joint commission has retained the measure and given statewide performance this is a more critical quality issue for Maryland than the nation.

Based on stakeholder interest last year and the removal of ED-1b, staff and the PMWG reconsidered whether to propose inclusion of OP-18 (non-admitted patients) for RY 2021. Maryland currently performs poorly on the wait time for non-admitted/discharged patients for both the non-psychiatric patients “b” strata measure, and the psychiatric patients “c” strata measure (OP-18c is newly added to Hospital Compare in latest public reporting release), as illustrated in Figure 6. Some stakeholders voiced support for inclusion of the OP-18b measure but others suggested the measure is at odds with hospitals’ efforts to reduce inpatient admissions through ED care coordination.

**Figure 6. MD Performance and National Benchmarks for ED Wait Times  
10-1-2016 to 9-30-2017**

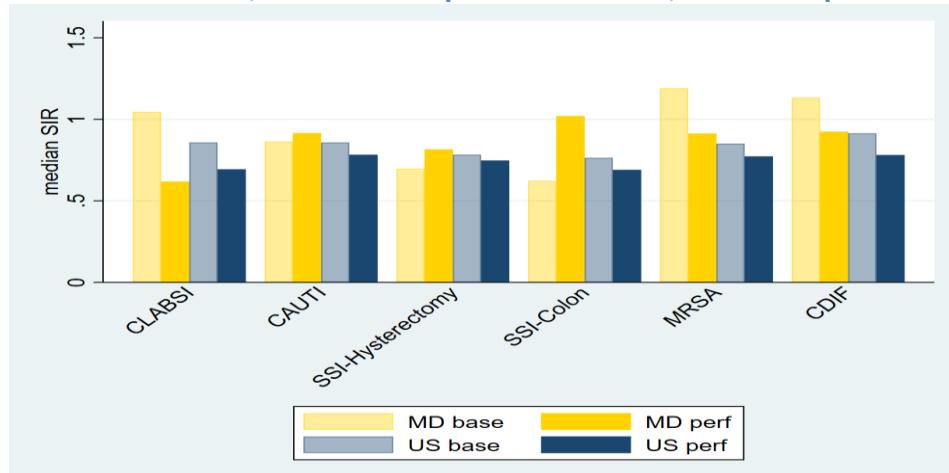
<b>OP-18b (non-psychiatric patients)</b>	<b>MD</b>	<b>National</b>
Low Volume	131	111
Moderate Volume	182	142
High Volume	190	161
Very High Volume	213	171
<b>OP-18c (psychiatric patients)</b>	<b>MD</b>	<b>National</b>
Low Volume	194	245
Moderate Volume	349	164
High Volume	324	218
Very High Volume	359	279

Based on this feedback, staff intends to actively monitor performance on the OP-18 measure (both OP-18b and OP-18c) over the next program year. Staff acknowledges that there are difficulties with the behavioral health system in the State, such as aging behavioral health system infrastructure and labor shortages, which exacerbate emergency department throughput problems. However these issues are not unique to Maryland. Furthermore, staff believes that continuing to include the measure of admit decision time to emergency department departure time for admitted patients will have spillover effects on outpatient emergency department wait times. However, if improvements are not seen in outpatient ED wait times, staff will reconsider a proposed recommendation for inclusion of OP-18b next year. Staff will pay particular attention to this issue in light of the fact that Maryland's higher wait times are paired with declining statewide ED visits.

**Based on the analysis of the Person and Community Engagement domain, HSCRC staff recommends continuing to weight this domain at 50% of the QBR score, and retaining the ED-1b measure along with HCAHPS in the domain.**

The **Safety** domain consists of six CDC National Health Safety Network (NHSN) healthcare associated infection (HAI) measures, and one measure of perinatal care (PC-01 Early Elective Delivery). Staff does not recommend any changes to this domain in RY 2021 beyond discontinuance of the PC-01 measure, which is being removed from the VBP program for FY 2021 due to relatively high performance of all hospitals. As illustrated in Figure 7 below, Maryland's performance on the NHSN measures has been mixed (lower scores are better). While median hospital standardized infection ratios (SIR) for all six HAI categories declined nationally during the performance period, Maryland hospitals experienced higher SIRs in three out of six of the infection categories. However, for the three infections in which Maryland hospitals also experienced declining standardized rates in the base period, the declines in Maryland were larger than national peers.

**Figure 7. Maryland vs. National Median Hospital SIRs on NHSN HAI Safety Measures (Base period Calendar Year 2015, Performance period October 1, 2016 to September 30, 2017)**

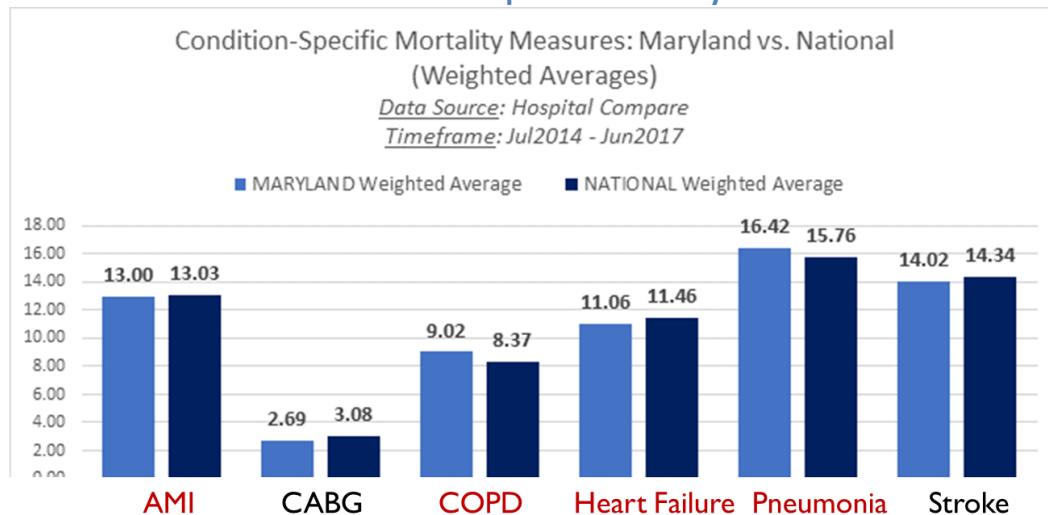


The QBR **Safety** domain does not include the Patient Safety Index Composite (PSI-90) measure that is included in VBP. Currently, the Agency for Healthcare Research and Quality (AHRQ) has yet to release a PSI-90 risk-adjustment methodology under ICD-10 for all payers. The HSCRC plans to consider options for re-adopting the PSI-90 composite measure on an all-payer basis as soon as the risk-adjustment is available. To this end, staff intends to vet with stakeholders the PSI composite measure in context of the QBR and MHAC complications programs as we consider its use under the TCO Model starting in RY 2022.

**Staff recommends continuing to weight the Safety domain at 35% of the total QBR score.**

The QBR **Clinical Care** domain consists of one all-payer, all-cause inpatient mortality measure in the QBR program, while the federal Medicare VBP program measures four 30-day condition-specific Mortality measures (Heart Attack, Heart Failure, Pneumonia and COPD), as well as a Total Hip and Knee Arthroplasty (THA/TKA) complication measure on patients with elective primary procedures. Medicare also monitors two additional mortality measures for Coronary Artery Bypass Graft and Stroke, but does not include these measures in VBP. Based on the data obtained from Health Quality Innovators, Maryland performs similarly to the nation for all condition-specific measures of 30-day mortality (Figure 9).

**Figure 9. Maryland Hospital Performance Compared with the Nation on CMS Condition-Specific Mortality Measures**

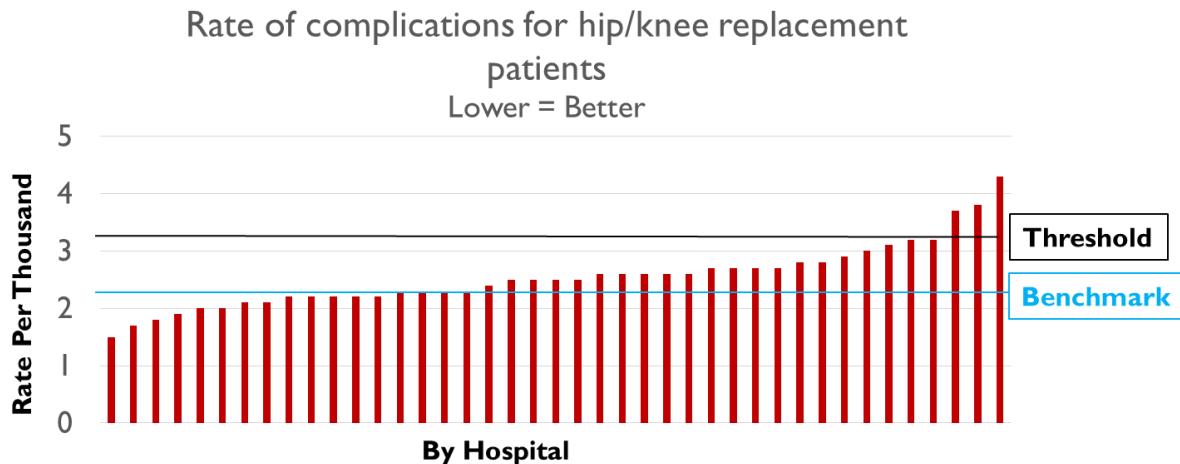


Source: Health Quality Innovators (HQI). Red are conditions included in VBP.

In terms of performance on the QBR inpatient mortality measure, 25 hospitals have shown a decrease in their risk-adjusted inpatient mortality rate through June 2018 compared to the RY2020 base period. An additional 7 hospitals have mortality rates that are better than the 95<sup>th</sup> percentile of state performance in the base period (i.e., they have exceeded the statewide benchmark and would earn full 10 points if performance continued through end of 2018). Finally, 8 hospitals that did not improve earned at least one attainment point for performance greater than the statewide average (i.e., threshold) during the base period.

For the hip and knee complication measure, Figure 10 illustrates that of the hospitals that qualify for the measure, all but 3 hospitals perform better than the current VBP threshold, and close to half of the hospitals perform better than the benchmark, but variation in performance remains. To qualify for the hip and knee complication measure a hospital must perform a minimum of 25 elective primary procedures.

**Figure 10. Maryland THA/TKA Measure Performance Compared to VBP Standards, Base Period April 2011-March 2014, Performance Period April 2016-March 2019**



Staff notes that adding the hip and knee complication measure to the QBR program is consistent with the goals of the TCOC model, namely expanding beyond the initial hospital stay since complications measured may occur up to 90 days postoperatively.

**Staff recommends including the hip and knee replacement measure in the Clinical Care domain consistent with the VBP program, and continuing to weight the Clinical Care domain at 15%<sup>7</sup>.**

Appendix III details the available published performance standards (for VBP measures) for each measure by domain for RY2021; staff will calculate and disseminate the inpatient mortality standards within the next two months when v. 36 of the APR DRG grouper is implemented.

The Assessment section outlines Maryland's performance for available measures, and highlights those proposed for RY 2021. Appendix IV contains additional discussion of the QBR program and potential future changes under the Maryland Total Cost of Care Model.

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<sup>7</sup> If a hospital does not qualify for THA/TKA measure, then mortality will remain weighted at 15%.

## Revenue Adjustment Modeling

HSCRC staff modeled hospital QBR scores and revenue adjustments consistent with the preset scaling approach approved for RY 2020. With the exception of the HSCRC-derived measures, the thresholds and benchmarks for the QBR scoring methodology are based on the national average (threshold) and the top performance (benchmark) values for all measures. A score of 0% means that performance on all measures are below the national average or not improved, while a score of 100% means all measures are at or better than the top 5% best performing rates. The Commission moved to a preset scale that reflects a full distribution of potential scores and raised the reward potential to 2% of inpatient revenue for RY 2019. Given Maryland's mixed performance relative to the nation, staff believes that the more aggressive scaling is warranted and proposes to continue this scale for RY 2021 QBR program.

This preset scale uses a modified full score distribution ranging from 0% to 80%, and sets the reward/penalty cut-point at 45%. The 45% cutoff was originally established by estimating the national average VBP scores for FFY2017 without the efficiency domain and with RY 2017 Maryland QBR-specific weights applied, which was 41%. Therefore, HSCRC staff recommended 45% as the cut-point for RY 2019 in order to establish an aggressive bar for receiving rewards. This analysis was updated for FFY 2016 through FFY 2018 (FFY 2019 data not yet publicly available) using the proposed RY2021 QBR domain weights, and the average national scores were relatively consistent at 42% for FFY16, 40% FFY17, and 42% FFY18. Staff plan to analyze FFY2019 results when publicly available to assess national average scores and may use this as basis to decide whether the HCAHPS patient mix adjustment changes are significant.

Staff modeled hospital scores for RY 2021 QBR using the aforementioned preset scale with a cutoff point of 45% and RY 2019 data using the base period of calendar year 2015, and the performance period of Q4 2016-Q3 2017. In order to assess the impact of removed measures and the addition of THA/TKA, the results of the following two models are provided:

- Model 1: Removal of PC-01 and Removal of ED-1b
- Model 2: Same as above, and addition of THA/TKA measure

Hospital-specific domain scores and total QBR scores for both models are included in Appendix V. The modeled hospital-specific and statewide revenue impacts are found in Appendix VI. With ED-1b and PC-01 excluded, 4 hospitals receive rewards of approximately \$427 thousand and the remaining hospitals receive penalties of approximately \$69 million. With the THA/THA included, 4 hospitals receive rewards of approximately \$485 thousand, and the remaining hospitals receive penalties of approximately \$64 million.

## DRAFT RECOMMENDATIONS FOR RY 2021 QBR PROGRAM

Based on the staff assessment and stakeholder deliberations to date, staff proposes that the Commission consider the draft recommendations below.

1. Implement the following **measure updates**:
  - A. **Add the Total Hip Arthroplasty/Total Knee Arthroplasty (THA/TKA) Risk-Standardized Complication Rate measure** to the Clinical Care Domain, and weight the measure at 5% to align with National VBP program;
  - B. **Remove the PC-01 and ED-1b measures** commensurate with their removal from the CMS VBP and IQR programs respectively;
2. Continue **Domain Weighting** as follows for determining hospitals' overall performance scores: Person and Community Engagement - 50%, Safety (NHSN measures) - 35%, Clinical Care - 15%.
3. Maintain the **pre-set scale** (0-80% with cut-point at 45%), and continue to hold 2% of inpatient revenue at-risk (rewards and penalties) for the QBR program.

## APPENDIX I. HSCRC QBR PROGRAM BACKGROUND

The Affordable Care Act established the hospital Medicare Value-Based Purchasing (VBP) program,<sup>8</sup> which requires CMS to reward hospitals with incentive payments for the quality of care provided to Medicare beneficiaries. The program assesses hospital performance on a set of measures in Clinical Care, Person and Community Engagement, Safety, and Efficiency domains. The incentive payments are funded by reducing the base operating diagnosis-related group (DRG) amounts that determine the Medicare payment for each hospital inpatient discharge.<sup>9</sup> The Affordable Care Act set the maximum penalty and reward at 2% for federal fiscal year (FFY) 2017 and beyond.<sup>10</sup>

Maryland's Quality-Based Reimbursement (QBR) program, in place since July 2009, employs measures that are similar to those in the federal Medicare VBP program, under which all other states have operated since October 2012. Similar to the VBP program, the QBR program currently measures performance in Clinical Care, Safety, and Person and Community Engagement domains, which comprise 15%, 35%, and 50% of a hospital's total QBR score, respectively. For the Safety and Person and Community Engagement domains, which constitute the largest share of a hospital's overall QBR score (85%), performance standards are the same as those established in the national VBP program. The Clinical Care Domain, in contrast, uses a Maryland-specific mortality measure and benchmarks. In effect, Maryland's QBR program, despite not having a prescribed national goal, reflects Maryland's rankings relative to the nation by using national VBP benchmarks for the majority of the overall QBR score.

In addition to structuring two of the three domains of the QBR program to correspond to the federal VBP program, the Commission has increasingly emphasized performance relative to the nation through benchmarking, domain weighting, and scaling decisions. For example, beginning in RY 2015, the QBR program began utilizing national benchmarks to assess performance for the Person and Community Engagement and Safety domains. Subsequently, the RY 2017 QBR policy increased the weighting of the Person and Community Engagement domain, which is measured by the national Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey instrument to 50%.<sup>11</sup> The weighting was increased in order to raise incentives for HCAHPS improvement, as Maryland has consistently scored in the lowest decile nationally on these measures.

While the QBR program has many similarities to the federal Medicare VBP program, it does differ because Maryland's unique Model Agreements and autonomous position allow the State to

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<sup>8</sup> For more information on the VBP program, see <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/hospital-value-based-purchasing/index.html?redirect=/Hospital-Value-Based-Purchasing/>

<sup>9</sup> 42 USC § 1395ww(o)(7).

<sup>10</sup> 42 USC § 1395ww(o)(7)(C).

<sup>11</sup> The HCAHPS increase reduced the Clinical Care domain from 20% to 15%.

be innovative and progressive. Figure 11 below compares the RY 2020 QBR measures and domain weights to those used in the CMS VBP program.

**Figure 11. RY 2020 QBR Measures and Domain Weights Compared with CMS VBP Program<sup>12</sup>**

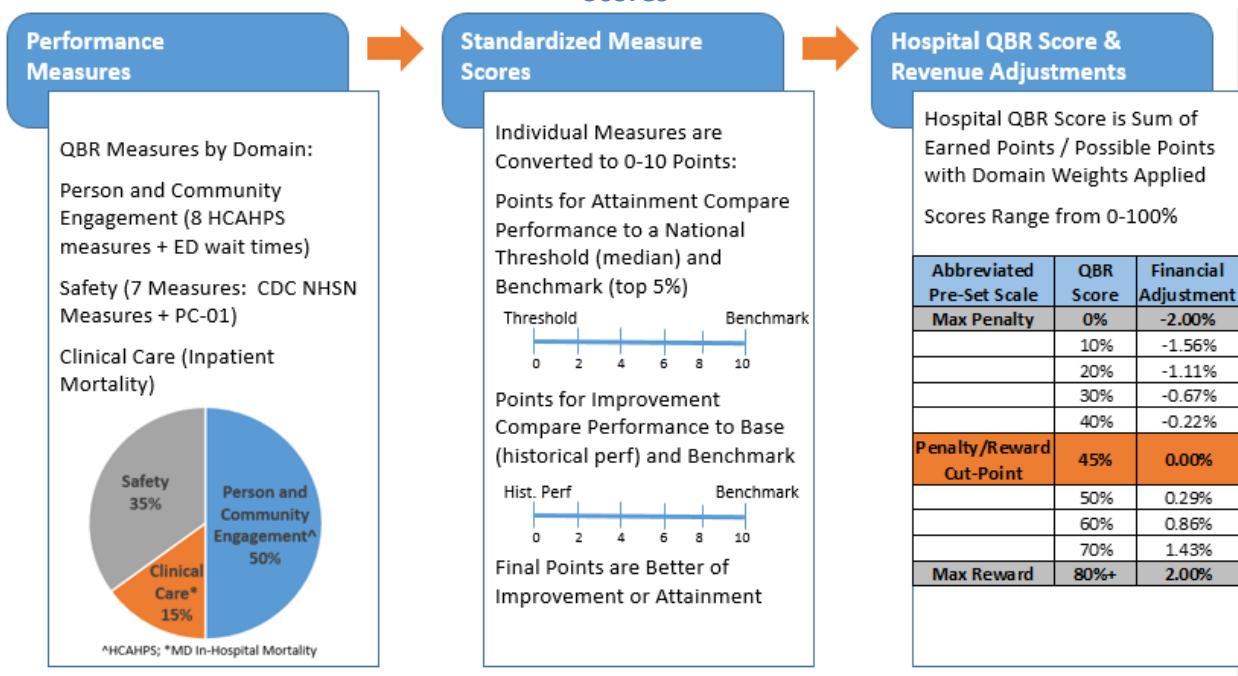
	<b>Maryland QBR Domains and Measures</b>	<b>CMS VBP Domain Weights and Measure Differences</b>
<b>Clinical Care</b>	15% (1 measure: all cause inpatient Mortality)	25% (4 measures: condition-specific Mortality, THA/TKA Complication)
<b>Person and Community Engagement</b>	50% (8 HCAHPS measures, 2 ED wait time measures)	25% Same HCAHPS measures, no ED wait time measures
<b>Safety</b>	35% (7 measures: CDC NHSN, PC-01)	25% (8 measures: CDC NHSN, PC-01, PSI-90)
<b>Efficiency</b>	N/A	25% (Medicare Spending Per Beneficiary measure)

The methodology for calculating hospital QBR scores and associated inpatient revenue adjustments has remained essentially unchanged since RY 2019, and involves: 1) assessing performance on each measure in the domain; 2) standardizing measure scores relative to performance standards; 3) calculating the total points a hospital earned divided by the total possible points for each domain; 4) finalizing the total hospital QBR score (0-100%) by weighting the domains based on the overall percentage or importance the Commission has placed on each domain; and 5) converting the total hospital QBR scores into revenue adjustments using the preset scale that ranges from 0 to 80%, as aforementioned. The methodology is illustrated in Figure 12 below.

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<sup>12</sup> Details of CMS VBP measures may be found at: <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/Measure-Methodology.html>.

**Figure 12. Process for Calculating RY 2019 QBR Scores**



## Domain Weights and Revenue At Risk

As illustrated in the body of the report, for the RY 2021 QBR program, the HSCRC proposed to weight the clinical care domain at 15 % of the final score, the Safety domain at 35 %, and the Person and Community Engagement domain at 50 %. The measures by domain are listed with their data sources in the table below (Figure 18).

**Figure 18. Proposed RY 2021 QBR Domains, Measures and Data Sources**

	Clinical Care	Person and Community Engagement	Safety
<b>Proposed QBR RY 2021</b>	15% 2 measures <ul style="list-style-type: none"> <li>▶ Inpatient Mortality (HSCRC case mix data)</li> <li>▶ THA TKA (CMS Hospital Compare, Medicare claims data)</li> </ul>	50% 9 measures <ul style="list-style-type: none"> <li>▶ 8 HCAHPS domains (CMS Hospital Compare patient survey)</li> <li>▶ 1 ED wait time (CMS Hospital Compare chart abstracted)</li> </ul>	35% 6 measures <ul style="list-style-type: none"> <li>▶ 6 CDC NHSN HAI measures (CMS Hospital Compare chart abstracted)</li> </ul>

The HSCRC sets aside a percentage of hospital inpatient revenue to be held “at risk” based on each hospital’s QBR program performance. Hospital performance scores are translated into

rewards and penalties in a process that is referred to as scaling.<sup>13</sup> Rewards (referred to as positive scaled amounts) or penalties (referred to as negative scaled amounts) are then applied to each hospital's update factor for the rate year. The rewards or penalties are applied on a one-time basis and are not considered permanent revenue. The Commission previously approved scaling a maximum reward of 1% and a penalty of 2% of total approved base inpatient revenue across all hospitals for RY 2019.

HSCRC staff has worked with stakeholders over the last several years to align the QBR measures, thresholds, benchmark values, time lag periods, and amount of revenue at risk with those used by the CMS VBP program where feasible,<sup>14</sup> allowing the HSCRC to use data submitted directly to CMS.<sup>15</sup> As mentioned above, Maryland implemented an efficiency measure in relation to population based revenue budgets based on potentially avoidable utilization outside of the QBR program. The potentially avoidable utilization (PAU) savings adjustment to hospital rates is based on costs related to potentially avoidable admissions, as measured by the Agency for Healthcare Research and Quality Prevention Quality Indicators (PQIs) and avoidable readmissions. HSCRC staff will continue to work with key stakeholders to complete development of an efficiency measure that incorporates population-based cost outcomes.

### **QBR Proposed Measures Update: THA/TKA**

In addition to the measure details provided above, the detail of the newly proposed THA/TKA measure already in use by the CMS VBP program is outlined below.

- ▶ The measure applies to patients **aged 65 or older** with **elective** primary **THA/TKA** procedure enrolled in Medicare fee-for-service.
- ▶ The **risk-standardized complication rate** (RSCR) is calculated as the ratio of the number of "predicted" to the number of "expected" admissions with a complication, multiplied by the national unadjusted complication rate. The numerator of the ratio is the number of admissions with a complication predicted on the basis of the hospital's performance with its observed case-mix.
- ▶ During the index hospital admission or within **seven days** from the date of index admission, the following complications acute myocardial infarction (AMI), pneumonia, and sepsis/septicemia/shock are measured;
- ▶ During the index hospital admission or within **30 days** of admission, death, surgical site bleeding, and pulmonary embolism are measured.

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<sup>13</sup> Scaling refers to the differential allocation of a pre-determined portion of base-regulated hospital inpatient revenue based on assessment of the quality of hospital performance.

<sup>14</sup> HSCRC has used data for some of the QBR measures (e.g., CMS core measures, CDC NHSN CLABSI, CAUTI) submitted to the Maryland Health Care Commission (MHCC) and applied state-based benchmarks and thresholds for these measures to calculate hospitals' QBR scores up to the period used for RY 2017.

<sup>15</sup> VBP measure specifications may be found at: [www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/Measure-Methodology.html](http://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/HospitalQualityInits/Measure-Methodology.html)

- ▶ During the index hospital admission or within **90 days** of admission, mechanical complications and periprosthetic joint infection/wound infection are measured.
- ▶ Complications are counted only if they occur during the index hospital admission or during a readmission.

## **QBR Score Calculation**

QBR Scores are evaluated by comparing a hospital's performance rate to its base period rate, as well as the threshold (which is the median, or 50<sup>th</sup> percentile, of all hospitals' performance during the baseline period), and the benchmark, (which is the mean of the top decile, or approximately the 95<sup>th</sup> percentile, during the baseline period).<sup>16</sup>

**Attainment Points:** During the performance period, attainment points are awarded by comparing an individual hospital's rates with the threshold and the benchmark. With the exception of the MD Mortality measure applied to all payers, the benchmarks and thresholds are the same as those used by CMS for the VBP program measures.<sup>17</sup> For each measure, a hospital that has a rate at or above benchmark receives 10 attainment points. A hospital that has a rate below the attainment threshold receives 0 attainment points. A hospital that has a rate at or above the attainment threshold and below the benchmark receives 1-9 attainment points

**Improvement Points:** The improvement points are awarded by comparing a hospital's rates during the performance period to the hospital's rates from the baseline period. A hospital that has a rate at or above the attainment benchmark receives 9 improvement points. A hospital that has a rate at or below baseline period rate receives 0 improvement points. A hospital that has a rate between the baseline period rate and the attainment benchmark receives 0-9 improvement points.

**Consistency Points:** The consistency points relate only to the experience of care domain. The purpose of these points is to reward hospitals that have scores above the national 50<sup>th</sup> percentile in all of the eight HCAHPS dimensions. If they do, they receive the full 20 points. If they do not, the dimension for which the hospital received the lowest score is compared to the range between the national 0 percentile (floor) and the 50<sup>th</sup> percentile (threshold) and is awarded points proportionately.

**Domain Denominator Adjustments:** In particular instances, QBR measures will be excluded from the QBR program for individual hospitals. In the Person and Community Engagement domain, ED wait time measures (if included in the RY 2020 program) will be excluded for protected hospitals. As described in the body of the report, a hospital may exclude one or both of the ED wait time measures if it has earned at least one improvement point and if its improvement

<sup>16</sup> The ED wait time measures do not have a benchmark; the methodology calculates hospital improvement relative to the national threshold, which is the national median for each respective ED volume category.

<sup>17</sup> For the ED wait time measures, attainment points are not calculated; instead full 10 points are awarded to hospitals at or below (more efficient) than the national medians for their respective volume categories in the performance period.

score would reduce its overall QBR score. If a measure is excluded, the Person and Community Engagement domain will reduce from 120 total points to 110 points.

Similarly, hospitals are exempt from measurement for any of the NHSN Safety measures for which there is less than 1 predicted case in the performance period. If a hospital is exempt from an NHSN measure, its Safety domain score denominator reduces from 60 to 50 points. If it is exempt from two measures, the Safety domain score denominator would be 40 total possible points. Hospitals must have at least 3 of 6 Safety measures in order to be included in the Safety domain.

**Domain Scores:** Composite scores are then calculated for each domain by adding up all of the measure scores in a given domain divided by the total possible points x 100. The better of attainment and improvement for experience of care scores is also added together to arrive at the experience of care base points. Base points and the consistency score are added together to determine the experience of care domain score.

**Total Performance Score:** The total Performance Score is computed by multiplying the domain scores by their specified weights, then adding those totals and dividing them by the highest total possible score. The Total Performance Score is then translated into a reward/ penalty that is applied to hospital revenue.

## RY 2021 Proposed Timeline (Base and Performance Periods; Financial Impact)

Rate Year (Maryland Fiscal Year)	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21		
Calendar Year	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21
<b>Rate Year 2021</b>																								
QBR					Hospital Compare Base Period (HCAHPS measures, ED-2b; All NHSN Measures)																		Rate Year Impacted by QBR Results	
															Hospital Compare Performance Period ( HCAHPS measures, ED-2b, All NHSN measures)									
					QBR Maryland Mortality Base Period										QBR Maryland Mortality Performance Period									
	POTENTIAL NEW MEASURE: Hospital Compare THA/TKA Performance Period**																							

\*Hospital Compare THA /TKA Base Period April 1, 2011-March 31, 2014

## APPENDIX II. RY 2019 PATIENT EXPERIENCE MEASURE RESULTS BY HOSPITAL

HCAHPS Measures		Care Transitions		Clean/Quiet		Understood Meds		Doctor Communication		Nurse Communication		Discharge Info		Overall Rating		Staff Responsiveness	
Hospital ID	Hospital Name	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base
210001	Meritus	46%	1%	63%	1%	59%	-1%	75%	-1%	77%	2%	88%	-1%	67%	3%	59%	0%
210002	UMMC	54%	-1%	55%	-4%	62%	-4%	79%	-1%	79%	1%	88%	1%	70%	1%	58%	-3%
210003	PG Hospital	39%	2%	53%	-2%	49%	0%	74%	1%	63%	1%	78%	0%	47%	3%	43%	2%
210004	Holy Cross	44%	-1%	65%	10%	55%	2%	74%	-1%	71%	-1%	80%	0%	64%	5%	55%	-1%
210005	Frederick	50%	-2%	70%	2%	62%	-2%	78%	-1%	80%	1%	89%	2%	70%	3%	59%	-2%
210006	UM-Harford	45%	-9%	57%	-3%	58%	-14%	75%	-6%	77%	-5%	81%	-3%	65%	0%	61%	3%
210008	Mercy	55%	-1%	71%	-1%	70%	5%	82%	-2%	81%	-1%	89%	0%	79%	1%	68%	6%
210009	Johns Hopkins	59%	0%	68%	1%	64%	0%	80%	0%	81%	0%	88%	-1%	81%	-1%	60%	-2%
210010	UM-Dorchester	48%	-2%	66%	4%	63%	2%	80%	-2%	81%	1%	86%	0%	66%	2%	68%	1%
210011	St. Agnes	48%	1%	60%	2%	61%	3%	78%	0%	75%	1%	86%	2%	66%	4%	59%	5%
210012	Sinai	48%	-2%	65%	-3%	63%	1%	78%	0%	79%	1%	88%	3%	69%	-1%	61%	1%
210013	Bon Secours	44%	11%	64%	3%	59%	-4%	80%	7%	73%	10%	87%	-1%	54%	4%	59%	15%
210015	MedStar Fr Square	46%	4%	56%	0%	61%	-3%	78%	0%	75%	-5%	87%	0%	68%	0%	56%	-3%
210016	Washington Adventist	43%	-2%	61%	-1%	58%	-1%	76%	-1%	73%	-1%	85%	-1%	67%	-1%	58%	1%
210017	Garrett	49%	-3%	64%	2%	67%	-1%	82%	-1%	79%	0%	91%	4%	69%	2%	69%	3%
210018	MedStar Montgomery	43%	2%	63%	4%	54%	-5%	75%	-3%	72%	1%	87%	-1%	62%	1%	54%	-3%
210019	Peninsula	50%	-2%	62%	-3%	62%	1%	76%	-4%	79%	1%	89%	2%	69%	1%	61%	-4%
210022	Suburban	51%	0%	67%	3%	58%	-3%	80%	-2%	77%	-3%	84%	0%	70%	-2%	64%	-3%
210023	Anne Arundel	54%	-1%	67%	5%	62%	1%	81%	2%	81%	4%	85%	-2%	78%	5%	70%	6%
210024	MedStar Union Mem	50%	-4%	69%	3%	63%	2%	83%	1%	79%	0%	88%	-2%	74%	-2%	63%	1%
210027	Western Maryland	52%	1%	67%	3%	68%	4%	79%	1%	80%	1%	92%	0%	70%	3%	63%	2%
210028	MedStar St. Mary's	51%	-3%	66%	-3%	59%	-8%	79%	-3%	79%	-4%	90%	-1%	67%	-5%	62%	-5%

HCAHPS Measures		Care Transitions		Clean/Quiet		Understood Meds		Doctor Communication		Nurse Communication		Discharge Info		Overall Rating		Staff Responsiveness	
Hospital ID	Hospital Name	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base	Perf	Change from base
210029	JH Bayview	54%	1%	59%	3%	62%	3%	78%	1%	76%	1%	87%	2%	68%	0%	62%	4%
210030	UM-Chestertown	47%	5%	61%	5%	57%	3%	80%	6%	79%	10%	86%	4%	62%	10%	69%	9%
210032	Union of Cecil	47%	-3%	62%	4%	62%	0%	75%	-1%	76%	-2%	86%	-4%	65%	-1%	60%	-1%
210033	Carroll	48%	-1%	66%	3%	60%	-3%	75%	-1%	79%	-1%	87%	1%	67%	-5%	65%	1%
210034	MedStar Harbor	46%	1%	65%	3%	62%	2%	80%	-1%	76%	-1%	85%	-2%	67%	1%	62%	1%
210035	UM-Charles Regional	50%	2%	61%	-5%	63%	2%	73%	-2%	78%	3%	86%	-2%	65%	3%	65%	9%
210037	UM-Easton	48%	-2%	66%	4%	63%	2%	80%	-2%	81%	1%	86%	0%	66%	2%	68%	1%
210038	UMMC Midtown	47%	6%	65%	1%	62%	7%	77%	1%	75%	6%	86%	9%	61%	4%	64%	12%
210039	Calvert	48%	-4%	65%	4%	62%	2%	75%	-3%	79%	2%	88%	1%	65%	0%	62%	1%
210040	Northwest	49%	1%	64%	-3%	61%	-2%	77%	1%	77%	0%	88%	4%	68%	0%	67%	1%
210043	UM-BWMC	47%	-1%	61%	0%	58%	-3%	76%	1%	75%	-2%	85%	1%	65%	-5%	56%	-4%
210044	GBMC	52%	-5%	58%	-5%	58%	-10%	81%	-5%	77%	-4%	90%	5%	72%	-6%	64%	-5%
210048	Howard County	50%	4%	64%	2%	58%	-3%	78%	0%	78%	1%	86%	1%	71%	3%	60%	-4%
210049	UM-Upper Chesapeake	51%	2%	64%	3%	64%	1%	78%	3%	79%	3%	86%	2%	70%	3%	64%	8%
210051	Doctors	44%	0%	60%	-3%	60%	8%	75%	0%	73%	1%	86%	0%	66%	3%	56%	7%
210055	Laurel Regional	39%	-1%	54%	-5%	50%	-1%	71%	-4%	62%	-6%	80%	1%	50%	-5%	53%	1%
210056	MedStar Good Sam	47%	-1%	62%	1%	64%	5%	75%	-7%	77%	-1%	90%	2%	67%	-1%	61%	6%
210057	Shady Grove	49%	3%	61%	4%	59%	6%	79%	0%	77%	3%	86%	-1%	70%	6%	59%	7%
210060	Ft. Washington	38%	-8%	59%	-4%	54%	-4%	77%	-2%	72%	-1%	86%	2%	60%	2%	63%	5%
210061	Atlantic General	53%	2%	59%	2%	65%	5%	79%	-2%	78%	-1%	90%	1%	67%	-3%	66%	0%
210062	MedStar Southern MD	42%	5%	57%	1%	57%	4%	75%	-2%	70%	0%	82%	0%	54%	4%	53%	0%
210063	UM-St. Joe	55%	0%	67%	1%	61%	-3%	82%	2%	82%	3%	88%	0%	78%	3%	68%	2%
210065	HC-Germantown	47%	2%	66%	2%	56%	6%	77%	4%	68%	-2%	82%	0%	68%	1%	50%	-2%

## APPENDIX III. RY 2021 QBR PERFORMANCE STANDARDS

### **Person and Community Engagement Domain\***

Dimension	Benchmark	Achievement Threshold	Floor
Communication with Nurses	87.36%	79.06%	42.06
Communication with Doctors	88.10%	79.91%	41.99
Responsiveness of Hospital Staff	81.00%	65.77%	33.89%
Communication about Medicines	74.75%	63.83%	33.19%
Cleanliness and Quietness of Hospital Environment	79.58%	65.61%	30.60%
Discharge Information	92.17%	87.38%	66.94%
3-Item Care Transition	63.32%	51.87%	6.53%
Overall Rating of Hospital	85.67%	71.80%	34.70%

\*The Person and Community Engagement performance standards displayed in this table were calculated using four quarters of calendar year 2017 data, and published in the CMS Inpatient Prospective Payment System FFY 19 Final Rule.

### **Safety Domain\***

Measure Short ID	Measure Description	Benchmark	Achievement Threshold
CAUTI	Catheter-Associated Urinary Tract Infection	0	0.774
CDI	Clostridium difficile Infection	0.067	0.748
CLABSI	Central Line-Associated Blood Stream Infection	0	0.687
MRSA	Methicillin-Resistant Staphylococcus aureus	0	0.763
SSI	SSI - Abdominal Hysterectomy SSI - Colon Surgery	0 0	0.726 0.754

\*The Safety Domain performance standards were published in the CMS Inpatient Prospective Payment System FFY 19 Final Rule.

Clinical Care Domain	Measure Description	Benchmark	Achievement Threshold
Measure Short ID	Measure Description	Benchmark	Achievement Threshold
Mortality	All Condition Inpatient Mortality	TBD*	TBD*
THA/TKA RSCR**	Total Hip/Knee Arthroplasty Risk Standardized Complication Rate	0.022418	0.031157

\*Mortality standards will be calculated and disseminated with implementation of v. 36 of the APR DRG grouper.

\*\*THA/TKA standards were published in the CMS Inpatient Prospective Payment System FFY 19 Final Rule.

## APPENDIX IV: FUTURE OF QBR IN TOTAL COST OF CARE MODEL

To date, Maryland hospitals have met all of the Agreement goals laid out in the current contract with CMS. For the TCOC Model, contract terms do not define specific quality performance targets, but dictate that performance targets must be aggressive and progressive, must align with other HSCRC programs, must be comparable to federal programs, and must consider rankings relative to the nation. Maryland must submit annual reports to CMS demonstrating that our quality programs' design elements, operational impacts, and results meet or exceed those of national Medicare program. The HSCRC, in consultation with staff and industry, continues to lay the framework and has begun to the process to determine specific quality performance targets in the TCOC Model.

Staff has started developing new policy targets and to align measures for success under the TCOC Model. This will entail considering options for bundling outcomes across quality programs, evaluating opportunities for performance standards outside the hospital walls, ensuring that financial incentives under the population-based revenue system are compatible, and developing reporting measures that are more holistic and patient-centered. This longer-term work has begun with the convening a clinical subgroup to evaluate candidate measures of complications that Maryland should include in its pay for performance regimen. In addition, work has begun to evaluate external data sources to determine if the Commission can utilize them to incentivize improvement inside<sup>18</sup> and outside the hospital; revisit financial methodologies and cultivate new ones, such as Inter-Hospital Cost Comparison, to ensure resources are being disseminated in accordance with TCOC Model goals; and consider options for establishing an overarching service line approach to the hospital quality programs so as to break down silos and promulgate a more holistic and patient-centered environment. Staff acknowledges this will require a lot of work in concert with industry and a broad array of other stakeholders—consumers, payers, cross-continuum providers, quality measurement experts, and government agencies (local, state and federal)—as the success of the TCOC Model depends on reducing cost on a per capita basis without compromising quality of care.

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<sup>18</sup> For example, staff notes that, although ED-1b is retired from CMS Inpatient Hospital Reporting and that PC-01 (early elective delivery) is retired from VBP after CY 2018, these measures continue to be optional for reporting to the Joint Commission. Therefore, staff could explore Joint Commission data for potential use in our quality programs in future years.

## APPENDIX V. MODELING OF SCORES BY DOMAIN: RY 2019 QBR DATA WITH RY 2021 MEASURES

This appendix includes modeling of the removal of PC-01 and ED-1b (Model 1) versus these changes plus the addition of THA-TKA measure (Model 2).

		Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Difference
Hospital ID	Hospital Name	HCAHPS Final Score	HCAHPS Final Score	Mortality Final Score	Mortality Final Score	Safety Final Score	Safety Final Score	Total Score	Total Score	Total Score
210001	Meritus	17%	17%	10%	33%	18%	18%	16.30%	19.80%	3.50%
210002	UMMC	20%	20%	0%	33%	8%	8%	12.80%	17.80%	5.00%
210003	UM-PGHC	5%	5%	10%	10%	14%	14%	9.13%	9.13%	0.00%
210004	Holy Cross	12%	12%	60%	40%	26%	26%	24.10%	21.10%	-3.00%
210005	Frederick	24%	24%	100%	70%	6%	6%	29.10%	24.60%	-4.50%
210006	UM-Harford	27%	27%	20%	47%	40%	40%	30.64%	34.64%	4.00%
210008	Mercy	55%	55%	50%	67%	28%	28%	44.57%	47.07%	2.50%
210009	Johns Hopkins	38%	38%	20%	20%	24%	24%	30.40%	30.40%	0.00%
210010	UM-Dorchester	33%	33%	60%	63%	28%	28%	35.30%	35.80%	0.50%
210011	St. Agnes	17%	17%	20%	40%	0%	0%	11.50%	14.50%	3.00%
210012	Sinai	22%	22%	40%	60%	28%	28%	26.80%	29.80%	3.00%
210013	Bon Secours	35%	35%	60%	60%	40%	40%	40.50%	40.50%	0.00%
210015	MedStar Fr Square	23%	23%	80%	87%	32%	32%	34.56%	35.56%	1.00%
210016	Washington Adventist	15%	15%	50%	60%	28%	28%	24.80%	26.30%	1.50%
210017	Garrett	37%	37%	10%	27%			30.79%	34.79%	4.00%
210018	MedStar Montgomery	12%	12%	10%	33%	14%	14%	12.40%	15.90%	3.50%
210019	Peninsula	23%	23%	100%	100%	36%	36%	39.10%	39.10%	0.00%
210022	Suburban	17%	17%	30%	53%	18%	18%	19.30%	22.80%	3.50%
210023	Anne Arundel	34%	34%	40%	60%	10%	10%	26.32%	29.32%	3.00%
210024	MedStar Union Mem	28%	28%	0%	33%	28%	28%	23.80%	28.80%	5.00%
210027	Western Maryland	42%	42%	20%	47%	36%	36%	36.51%	40.51%	4.00%

		Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Difference
Hospital ID	Hospital Name	HCAHPS Final Score	HCAHPS Final Score	Mortality Final Score	Mortality Final Score	Safety Final Score	Safety Final Score	Total Score	Total Score	Total Score
210028	MedStar St. Mary's	25%	25%	80%	87%	32%	32%	35.93%	36.93%	1.00%
210029	JH Bayview	17%	17%	40%	60%	30%	30%	25.00%	28.00%	3.00%
210030	UM-Chestertown	30%	30%	100%	100%			46.10%	46.10%	0.00%
210032	Union of Cecil	17%	17%	10%	33%	50%	50%	27.50%	31.00%	3.50%
210033	Carroll	22%	22%	90%	93%	32%	32%	35.70%	36.20%	0.50%
210034	MedStar Harbor	20%	20%	90%	70%	30%	30%	34.00%	31.00%	-3.00%
210035	UM-Charles Regional	35%	35%	70%	77%	25%	25%	36.98%	37.98%	1.00%
210037	UM-Easton	33%	33%	50%	57%	28%	28%	33.80%	34.80%	1.00%
210038	UMMC Midtown	24%	24%	100%	90%	10%	10%	30.50%	29.00%	-1.50%
210039	Calvert	26%	26%	100%	93%	67%	67%	51.52%	50.52%	-1.00%
210040	Northwest	28%	28%	100%	93%	48%	48%	45.89%	44.89%	-1.00%
210043	UM-BWMC	13%	13%	90%	77%	24%	24%	28.40%	26.40%	-2.00%
210044	GBMC	24%	24%	90%	77%	58%	58%	45.80%	43.80%	-2.00%
210048	Howard County	17%	17%	40%	30%	36%	36%	27.24%	25.74%	-1.50%
210049	UM-Upper Chesapeake	35%	35%	60%	73%	28%	28%	36.53%	38.53%	2.00%
210051	Doctors	17%	17%	30%	47%	80%	80%	41.00%	43.50%	2.50%
210055	UM-Laurel	10%	10%	20%	47%	13%	13%	12.67%	16.67%	4.00%
210056	MedStar Good Sam	34%	34%	60%	60%	16%	16%	31.60%	31.60%	0.00%
210057	Shady Grove	31%	31%	0%	0%	34%	34%	27.35%	27.35%	0.00%
210060	Ft. Washington	24%	24%	0%	27%			18.20%	24.60%	6.40%
210061	Atlantic General	34%	34%	100%	83%	0%	0%	31.82%	29.32%	-2.50%
210062	MedStar Southern MD	13%	13%	0%	10%	34%	34%	18.40%	19.90%	1.50%
210063	UM-St. Joe	44%	44%	70%	80%	28%	28%	42.12%	43.62%	1.50%
210065	HC-Germantown	15%	15%	80%	80%	50%	50%	36.77%	36.77%	0.00%

## APPENDIX VI. MODELING OF QBR PROGRAM REVENUE ADJUSTMENTS

HOSPID	HOSPITAL NAME	RY18 Permanent Inpatient Revenue	Model 1: Removed PC-01 and ED-1b			Model 2: Model 1 + THA/TKA Measure		
			RY 2021 Prelim QBR Points	% Revenue Impact	\$ Revenue Impact	RY 2021 Prelim QBR Points	% Revenue Impact	\$ Revenue Impact
210001	MERITUS	\$190,799,459	16.30%	-1.28%	-\$2,442,233	19.80%	-1.12%	-\$2,136,954
210002	UNIVERSITY OF MARYLAND	\$919,253,797	12.80%	-1.43%	-\$13,145,329	17.80%	-1.21%	-\$11,122,971
210003	PRINCE GEORGE	\$215,464,625	9.13%	-1.59%	-\$3,425,888	9.13%	-1.59%	-\$3,425,888
210004	HOLY CROSS	\$340,412,069	24.10%	-0.93%	-\$3,165,832	21.10%	-1.06%	-\$3,608,368
210005	FREDERICK MEMORIAL	\$220,972,343	29.10%	-0.71%	-\$1,568,904	24.60%	-0.91%	-\$2,010,848
210006	HARFORD	\$48,557,781	30.64%	-0.64%	-\$310,770	34.64%	-0.46%	-\$223,366
210008	MERCY	\$223,932,822	44.57%	-0.02%	-\$44,787	47.07%	0.12%	\$268,719
210009	JOHNS HOPKINS	\$1,378,259,901	30.40%	-0.65%	-\$8,958,689	30.40%	-0.65%	-\$8,958,689
210010	DORCHESTER	\$26,021,222	35.30%	-0.43%	-\$111,891	35.80%	-0.41%	-\$106,687
210011	ST. AGNES	\$237,889,236	11.50%	-1.49%	-\$3,544,550	14.50%	-1.36%	-\$3,235,294
210012	SINAI	\$398,036,508	26.80%	-0.81%	-\$3,224,096	29.80%	-0.68%	-\$2,706,648
210013	BON SECOURS	\$65,798,042	40.50%	-0.20%	-\$131,596	40.50%	-0.20%	-\$131,596
210015	FRANKLIN SQUARE	\$300,623,972	34.56%	-0.46%	-\$1,382,870	35.56%	-0.42%	-\$1,262,621
210016	WASHINGTON ADVENTIST	\$158,337,604	24.80%	-0.90%	-\$1,425,038	26.30%	-0.83%	-\$1,314,202
210017	GARRETT COUNTY	\$21,075,334	30.79%	-0.63%	-\$132,775	34.79%	-0.45%	-\$94,839
210018	MONTGOMERY GENERAL	\$77,808,657	12.40%	-1.45%	-\$1,128,226	15.90%	-1.29%	-\$1,003,732
210019	PENINSULA REGIONAL	\$241,466,813	39.10%	-0.26%	-\$627,814	39.10%	-0.26%	-\$627,814
210022	SUBURBAN	\$197,431,392	19.30%	-1.14%	-\$2,250,718	22.80%	-0.99%	-\$1,954,571
210023	ANNE ARUNDEL	\$299,264,995	26.32%	-0.83%	-\$2,483,899	29.32%	-0.70%	-\$2,094,855
210024	UNION MEMORIAL	\$235,346,415	23.80%	-0.94%	-\$2,212,256	28.80%	-0.72%	-\$1,694,494
210027	WESTERN MARYLAND	\$171,000,183	36.51%	-0.38%	-\$649,801	40.51%	-0.20%	-\$342,000
210028	ST. MARY	\$76,303,058	35.93%	-0.40%	-\$305,212	36.93%	-0.36%	-\$274,691
210029	HOPKINS BAYVIEW MED CTR	\$357,620,585	25.00%	-0.89%	-\$3,182,823	28.00%	-0.76%	-\$2,717,916
210030	CHESTERTOWN	\$21,139,936	46.10%	0.06%	\$12,684	46.10%	0.06%	\$12,684

		Model 1: Removed PC-01 and ED-1b			Model 2: Model 1 + THA/TKA Measure			
HOSPID	HOSPITAL NAME	RY18 Permanent Inpatient Revenue	RY 2021 Prelim QBR Points	% Revenue Impact	\$ Revenue Impact	RY 2021 Prelim QBR Points	% Revenue Impact	\$ Revenue Impact
210032	UNION HOSPITAL OF CECIL	\$66,514,320	27.50%	-0.78%	-\$518,812	31.00%	-0.62%	-\$412,389
210033	CARROLL COUNTY	\$132,801,017	35.70%	-0.41%	-\$544,484	36.20%	-0.39%	-\$517,924
210034	HARBOR	\$112,526,840	34.00%	-0.49%	-\$551,382	31.00%	-0.62%	-\$697,666
210035	CHARLES REGIONAL	\$75,199,112	36.98%	-0.36%	-\$270,717	37.98%	-0.31%	-\$233,117
210037	EASTON	\$105,222,295	33.80%	-0.50%	-\$526,111	34.80%	-0.45%	-\$473,500
210038	UMMC MIDTOWN	\$117,217,727	30.50%	-0.64%	-\$750,193	29.00%	-0.71%	-\$832,246
210039	CALVERT	\$63,677,722	51.52%	0.37%	\$235,608	50.52%	0.32%	\$203,769
210040	NORTHWEST	\$133,828,758	45.89%	0.05%	\$66,914	44.89%	0.00%	\$0
210043	BALTIMORE WASHINGTON	\$229,151,792	28.40%	-0.74%	-\$1,695,723	26.40%	-0.83%	-\$1,901,960
210044	G.B.M.C.	\$225,145,722	45.80%	0.05%	\$112,573	43.80%	-0.05%	-\$112,573
210048	HOWARD COUNTY	\$183,348,539	27.24%	-0.79%	-\$1,448,453	25.74%	-0.86%	-\$1,576,797
210049	UPPER CHESAPEAKE HEALTH	\$130,150,364	36.53%	-0.38%	-\$494,571	38.53%	-0.29%	-\$377,436
210051	DOCTORS COMMUNITY	\$144,686,192	41.00%	-0.18%	-\$260,435	43.50%	-0.07%	-\$101,280
210055	LAUREL REGIONAL	\$58,931,276	12.67%	-1.44%	-\$848,610	16.67%	-1.26%	-\$742,534
210056	GOOD SAMARITAN	\$140,674,848	31.60%	-0.60%	-\$844,049	31.60%	-0.60%	-\$844,049
210057	SHADY GROVE	\$231,939,525	27.35%	-0.78%	-\$1,809,128	27.35%	-0.78%	-\$1,809,128
210060	FT. WASHINGTON	\$19,548,527	18.20%	-1.19%	-\$232,627	24.60%	-0.91%	-\$177,892
210061	ATLANTIC GENERAL	\$37,316,219	31.82%	-0.59%	-\$220,166	29.32%	-0.70%	-\$261,214
210062	SOUTHERN MARYLAND	\$163,844,003	18.40%	-1.18%	-\$1,933,359	19.90%	-1.12%	-\$1,835,053
210063	UM ST. JOSEPH	\$237,924,618	42.12%	-0.13%	-\$309,302	43.62%	-0.06%	-\$142,755
210065	HC-GERMANTOWN	\$60,632,167	36.77%	-0.37%	-\$224,339	36.77%	-0.37%	-\$224,339
	<b>Statewide Total</b>	<b>\$9,093,098,329</b>			<b>-\$68,910,681</b>			<b>-\$63,837,724</b>

**RATE AGREEMENT BETWEEN  
THE HEALTH SERVICES COST REVIEW COMMISSION  
AND UNIVERSITY OF MARYLAND MEDICAL CENTER'S MIDTOWN HOSPITAL  
CAMPUS  
NOVEMBER 14, 2018**

**I. OVERVIEW**

After four years of the global revenue agreements that were implemented for hospitals under the All-Payer Model and with the suspension of the Reasonableness of Charges evaluation since 2011, the Health Services Cost Review Commission (HSCRC or Commission) requested that staff evaluate high cost outlier hospitals that have retained an excessive amount of revenue causing high charges for patients and payers. The University of Maryland Medical Center's Midtown Hospital Campus ("UMMC-Midtown" or "the Hospital") is one such hospital that was identified as an outlier. This proposed agreement outlines the steps that will be taken to bring the Hospital's approved revenue to reasonable levels.

**II. BACKGROUND**

Prior to 2011, the HSCRC used an adjusted charge per case comparison, referred to as the Reasonableness of Charges ("ROC") to identify hospitals with high charges per case and to scale annual updates based on performance. In 2011, this tool was suspended for rural hospitals that adopted global budgets under the Total Patient Revenue (TPR) system, recognizing that reductions of avoidable utilization could work against those hospitals in comparing charges per case. Other hospitals went under an episode payment arrangement in 2011 and 2012, which bundled readmissions into an episode payment. Since the ROC could penalize hospitals with readmission declines, the ROC was suspended for the remaining hospitals.

In 2014, all hospitals were moved under global revenue arrangements with the advent of the All-Payer Model Agreement with the Centers for Medicare & Medicaid Services (CMS). Within the construct of these agreements, referred to as global budget revenue (GBR), hospitals are allowed to charge up to a fixed annual revenue amount that is set at the beginning of the year, even as volumes may decline. This structure offers incentives for hospitals to engage in population-based health management and to reduce unnecessary hospital utilization. Annual revenue is determined from an historical base period that is adjusted to account for inflation updates, market shifts, demographic changes, infrastructure requirements, performance in quality-based or efficiency-based programs, changes in payer mix, and changes in levels of UCC. Annual revenue may also be modified for changes in services levels, shifts of services to unregulated settings, or other approved modifications to global revenues.

After suspension of the ROC for more than six years, the Commission prioritized the development of an updated Inter-hospital Cost Comparison (ICC) tool and requested that staff

evaluate high cost outlier hospitals that have retained an excessive amount of revenue causing high charges for patients and payers. The Total Cost of Care Model Agreement with CMS, signed in July 2018 and scheduled to begin on January 1, 2019, will require the State to contain the growth of costs for both hospital and non-hospital services on a per capita basis. With these considerations, staff used a combination of factors to identify high cost outlier hospitals taking into account cost per case efficiency under the ICC, performance on Medicare total cost of care (TCOC) per capita growth, potentially avoidable use (PAU) levels and reductions achieved, and quality indicators such as the Maryland Hospital Acquired Conditions (MHAC), Readmission Reduction Incentive Program (RRIP), and Quality Based Reimbursement (QBR) performance.

During this evaluation, the UMMC-Midtown Hospital was identified by staff as an outlier hospital. Using the ICC for RY 2018 revenue, staff determined that the Hospital has the most unfavorable adjusted cost per case compared to other Maryland hospitals, with an inefficiency of -32.65% compared to the peer group standard. The Hospital is also in the least favorable quintile of hospitals for Medicare TCOC growth rate per capita, with a growth rate of 8.02% from 2013 to 2017, compared to the State average TCOC growth rate of 3.9%. The Hospital has been able to reduce the growth of PAU admissions more rapidly than the State, but still has high levels of PAU (30.8% of eligible revenue as compared to the statewide average of 18.3%), partially as a result of the health disparities of the population it serves. Finally, the Hospital has had mixed quality outcomes. While it ranked in the most favorable quintile for reductions in potentially preventable complications, as measured through the Maryland Hospital Acquired Conditions program, it was in the second least favorable quintile for patient satisfaction surveys, as measured through HCAHPS surveys in the Quality Based Reimbursement program, and the least favorable quintile for casemix adjusted readmissions rates, as measured through the Readmissions Reductions Incentive program.

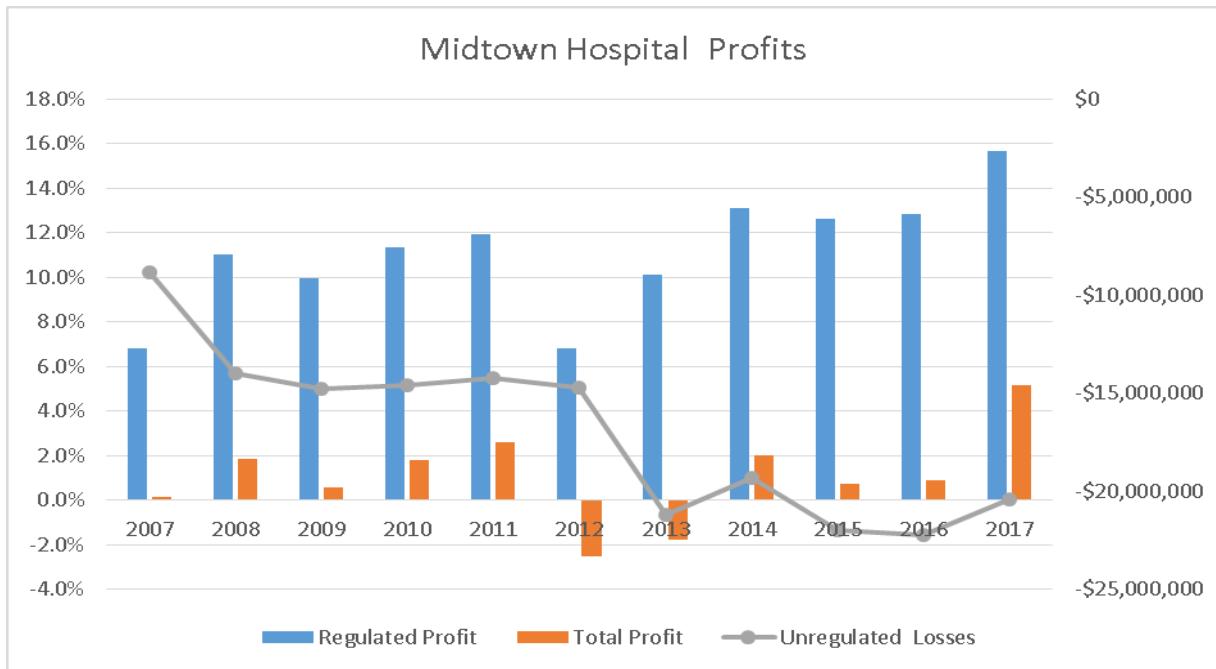
In the fall of 2017, the HSCRC staff notified UMMC-Midtown regarding its outlier status under the ICC. Staff began evaluations regarding the cause of the outlier status and reduced the Hospital's revenues by \$6.5 million in the rate year ended June 30, 2018 for shifts of chronic patients to unregulated settings. Since April 2018, the HSCRC staff and representatives of the Hospital have met to discuss the reasons that the Hospital's adjusted charge per case is relatively high and what considerations should be made when determining an appropriate rate structure. Finally, staff and the Hospital had a series of meetings to determine the acceptable terms of a negotiated revenue reduction over time, referred to herein as a "spenddown" agreement.

The staff's proposal for the negotiated spenddown includes considerations made for profits, discounting revenue not included in the ICC calculation, acknowledgement of RY18 revenue reductions already in place, growth and current levels of PAU relative to the State and peers, Medicare TCOC growth per capita compared to the State and peers, and an allowance for health disparities in the patient population that is treated at the Hospital. Additional detail on the considerations are included below:

- In the past, when the Commission initiated spenddowns, it did not remove profits from the revenue target levels. The ICC removes peer group profits to get to a cost level comparison. The staff restored profits to adjust the ICC calculation, which reduced the excess charge per case from 32.65% to 26.12%.
- Certain revenues were excluded from the ICC and these were likewise excluded from spenddown consideration, i.e., these revenues received no spenddown adjustment. This reduced the excess charge per case from 26.12% to 20.25%.
- If a hospital's cost per case was high as a result of higher reductions in avoidable utilization, the HSCRC should avoid revenue reductions that would undermine the incentives of the global revenue system. If charge per case increased but cost per capita remained the same or decreased after accounting for inflation, revenue reductions should be mitigated for achieving the desired improvement. HSCRC staff reviewed the Medicare total cost of care growth for UMMC-Midtown from 2013 to 2017 and found that the Hospital was in the least favorable quintile of state performance, with growth in excess of two times the statewide average. PAU reductions were greater than the state and peer group averages. After reviewing these results, the staff determined that the Hospital was not due relief for its performance in PAU reductions or total cost of care, as the favorable PAU reductions were offset by the unfavorable Medicare total cost of care growth.
- UMMC-Midtown is in the top decile of the State in terms of various measures of poverty such as Medicaid percentages, income per capita, Area Deprivation Index, among others. The staff has incorporated a reduction allowance in the required spenddown to allow the Hospital to continue to invest in interventions that will improve population health and reduce health disparities. This will take time.

Finally, when considering the appropriate time period for a spenddown, the Hospital's regulated profits were considered.

**Figure 1. Midtown Profit Analysis**



The Hospital's regulated profits and losses for the years ended June 30, 2016 and 2017 were \$23.9M and \$31.6 – total profit was \$1.7M and \$11.1M, respectively. The Hospital has also incorporated faculty physicians into the operations of the Hospital, providing hospitalist services and also providing needed clinical expertise for the severe chronic conditions that are prevalent in West Baltimore. This has increased the operating cost structure of the Hospital. In order to meet the challenge of a significant rate revenue reduction plan, a five year time period was agreed to as appropriate.

The Hospital believes that part of its unfavorable charge per case performance has resulted from the reduction of inpatient services at the Hospital, some of which relates to patients being treated in other hospitals or in deregulated settings. The Hospital has introduced important new outpatient services that are focused on the reduction of health disparities, including diabetes clinics, infectious disease clinics, cardiology and pulmonary clinics, and behavioral health clinics, among others. The expanded clinic operations are part of a concerted effort to deal with the many chronic health conditions that challenge the residents of West Baltimore. In addition to the investments to expand clinical capacity and expertise, the population health strategy also includes aspects such as transportation, transitional care, patient education and social support. Significant investments are required to care for the social determinants of health in West Baltimore. The Hospital has demonstrated a commitment to improving the health status of the West Baltimore population as illustrated in the FY 2017 Community Benefits Report. After accounting for funds provided in rates for direct medical education, nurse support, and charity care, UMMC-Midtown compares favorably

to the state average in Community Benefit support and falls within the top decile for Community Benefit contribution.

These new services are important enhancements to the community that aim to address chronic conditions, improve the health of the population, and reduce health disparities in West Baltimore. The staff has proposed spenddown targets that recognize the importance of this effort and the need to continue these investments. The Hospital also expects to work with the University of Maryland Medical Center to relocate additional low intensity services to the UMMC-Midtown campus. This is expected to free up revenue capacity at UMMC for more intense cases as well as to lower the charge-per-case at UMMC-Midtown. The interim review process outlined below will allow for an assessment of the Hospital's progress in execution of its plans.

## II. AGREEMENT

After discussions about the reasonable level of efficiency improvement that should be expected, the Hospital and HSCRC staff have agreed to a 12% reduction to the Hospital's RY 2018 GBR, with an opportunity to assess the Hospital's efficiency level at two points during the five-year period as follows:

- RY 19: 3% reduction (Guaranteed Reduction)
- RY 20: 3% reduction (Guaranteed Reduction)
- RY 21: 2% reduction (Performance evaluation)
- RY 22: 2% reduction
- RY 23: 2% reduction (Performance evaluation)

**Figure 2. Spenddown Recommendation for Midtown**

Rate Year	Proposed Revenue Reduction (based on 2018 GBR)	\$ Impact (2018 denominator locked)	\$ Cumulative Impact
2019	3%	-\$7,134,794	-\$7,134,794
2020	3%	-\$7,134,794	-\$14,269,588
2021	2%	-\$4,756,529	-\$19,026,117
2022	2%	-\$4,756,529	-\$23,782,647
2023	2%	-\$4,756,529	-\$28,539,176

**Figure 2** shows the value of the reduction to be included in rates that the spenddown agreement specifies over the 5 year period. The impact of the rate reduction can be mitigated in RYs 21 through 23, if the Hospital demonstrates improved cost efficiency while also constraining the

Medicare Total Cost of Care per capita growth, as detailed in Section 3 of this document. The staff will also consider the annual adjustments made to account for inflation updates, infrastructure requirements, population driven volume increases/decreases or successor policies, market shift, performance in quality-based or efficiency-based programs, changes in payer mix, changes in levels of UCC, and any settlements beyond FY 2017 applicable to all hospitals for charge variation, deregulation, or quality adjustments when determining the Hospital's annual allowed global revenues.

### **III. PERFORMANCE EVALUATION**

The Hospital has the opportunity to mitigate the impact of the revenue reduction before RYs 21 and 23, based on the performance evaluation described in this section. While performance will be evaluated at only two points during the five-year period, any credit for improvement can be applied to RYs 21, 22, or 23, to the extent that the credit exceeds the spenddown total for that year. The agreement allows the Hospital to earn credit for improved cost efficiency as measured by the ICC, as long as the Hospital's Medicare TCOC per capita growth has not deteriorated. Staff can modify the revenue reduction for improved ICC efficiency. It is important to measure the per capita changes in cost to ensure that the Hospital does not improve on the ICC by increasing avoidable utilization or simply growing volumes, as this would undermine the Total Cost of Care Model. Therefore, in reviewing performance, the HSCRC staff proposes to consider the following during its review of performance.

- Full ICC improvement credit if TCOC growth is below statewide growth on 2018 base.
- Partial ICC improvement credit if TCOC growth ranking improves relative to 2018 base, but TCOC growth still remains above the statewide growth.
- No credit for ICC improvement if TCOC growth is higher than statewide growth on 2018 base and the Hospital's ranking on TCOC growth among hospitals also deteriorates.

Also, it is important to retain the incentives for hospitals to reduce avoidable utilization and improve Total Cost of Care performance. Therefore, the staff also proposes to consider better TCOC performance in its evaluation.

- Partial credit if the Hospital's TCOC growth rate is lower than the statewide TCOC growth on 2018 base, even if ICC efficiency remains the same or deteriorates.

Additional considerations will also be made at the HSCRC's discretion for improvement on PAU indicators and population health metrics as follows:

- If current definition of PAU is reduced more than the peer group average, additional credit could be considered in an amount equal to PAU difference.

- Improvement in population health metric related to diabetes prevalence.

#### **IV. OTHER TERMS**

The terms of this spenddown agreement will be incorporated in the Hospital's RY 2019 rate order. If the Hospital does not agree to the RY 2019 rate order, it has the right to file a full rate application, in accordance with State law and regulation.

1. By entering into this agreement, the Hospital does not waive any rights with respect to the filing of a rate application under the Commission's statutory law and regulations.
2. By entering into this agreement, it is understood that during the term of this agreement the Hospital will receive industry-wide rate adjustments applicable to hospitals.
3. In the event of merger, consolidation, or transfer of ownership, this agreement is assignable subject to mutual written agreement of the Commission and the surviving parties.
4. If the Hospital defaults on the financial covenant(s) of its bond indebtedness, and the default is not cured within the terms of the bond documents, then the Hospital and the Commission shall meet to discuss options including a potential renegotiation of this agreement.
5. In consideration of the effective date of this agreement, the Commission agrees to waive any and all corridor penalties applicable on July 1, 2019 related to the Hospital's compliance with this agreement so long as the Hospital displays a good faith effort to comply with the provisions of this agreement.

#### **V. TERMINATION PROVISIONS**

This agreement will terminate on June 30, 2023 or at any time prior to June 30, 2023 if the Hospital reaches the Target. Also, this agreement may be terminated prior to June 2023 under the following conditions:

1. If the Hospital declares bankruptcy at any time during the term of this agreement.
2. If the State of Maryland dissolves the HSCRC's rate regulatory authority.
3. If the Total Cost of Care Model granted to Maryland is terminated.
4. If the Hospital files a full rate application, this agreement will terminate on the effective date of the new final rate order issued by the Commission.
5. Under such extraordinary circumstances where the Commission believes that termination of this agreement is in the best interests of the public.

## **Policy Update Report and Discussion**

Staff will present materials at the Commission Meeting.

**Title 10 MARYLAND DEPARTMENT OF HEALTH**

**Subtitle 37 HEALTH SERVICES COST REVIEW COMMISSION**

**Chapter 10 Rate Applications and Approval Procedures**

Authority: Health-General Article, §§ 19-214.1 and 19-214.3, Annotated Code of Maryland

**NOTICE OF PROPOSED ACTION**

The Health Services Cost Review Commission proposes to amend Regulation .26 under COMAR 10.37.10 Rate Applications and Approval Procedures. This action was considered and approved for promulgation by the Commission at a previously announced open meeting held on November 14, 2018, notice of which was given pursuant to General Provisions Article, § 3-302(c), Annotated Code of Maryland. If adopted, the proposed amendments will become effective on or about March 5, 2019.

**Statement of Purpose**

The purpose of this action is to require hospitals to better inform patients of facility fees and their right to request and receive a written estimate of the total charges for the non-emergency hospital services, procedures, and supplies that reasonably are expected to be incurred and billed to the patient by the hospital.

**Comparison of Federal Standards**

There is no corresponding federal standard to this proposed action.

**Estimate of Economic Impact**

The proposed action has an economic impact.

**Opportunity for Public Comment**

Comments may be sent to Diana M. Kemp, Regulations Coordinator, Health Services Cost Review Commission, 4160 Patterson Avenue, Baltimore, Maryland 21215, or (410) 764-2576, or fax to (410) 358-6217, or email to diana.kemp@maryland.gov. The Health Services Cost Review Commission will consider comments on the proposed amendments until January 7, 2019. A hearing may be held at the discretion of the Commission.

A. Hospital Information Sheet.

(1) Each hospital shall develop an information sheet that:

(a)- (c) *text unchanged*

(d) Provides contact information for the Maryland Medical Assistance Program; [and]

(e) Includes a statement that physician charges, to both hospital inpatients and outpatients, are generally not included in the hospital bill and are billed separately;[.]

(f) *Informs patients that the hospital is permitted to bill outpatients a fee, commonly referred to as a "facility fee," for their use of hospital facilities, clinics, supplies and equipment, non-physician services, including but not limited to the services of non-physician clinicians, in addition to physician fees billed for professional services provided in the hospital;*

(g) *Informs patients of their right to request and receive a written estimate of the total charges for the hospital non-emergency services, procedures, and supplies that reasonably are expected to be provided and billed for by the hospital.*

(2) The information sheet shall be provided to the patient, the patient's family, or the patient's authorized representative:

(a) *Before the patient receives scheduled medical services;*

(b) Before discharge;

[(b)] (c) With the hospital bill; and

[(c)] (d) On request.

(3)-(4) *text unchanged*

NELSON SABATINI  
Chairman  
Health Services Cost Review Commission

**State of Maryland  
Department of Health**



**Nelson J. Sabatini**  
Chairman

**Joseph Antos, PhD**  
Vice-Chairman

**Victoria W. Bayless**

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**Allan Pack, Director**  
Population Based  
Methodologies

**Chris Peterson, Director**  
Clinical & Financial  
Information

**Gerard J. Schmitt, Director**  
Revenue & Regulation  
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**Health Services Cost Review Commission**

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**TO:** **Commissioners**

**FROM:** **HSCRC Staff**

**DATE:** **November 14, 2018**

**RE:** **Hearing and Meeting Schedule**

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December 12, 2018                    To be determined - 4160 Patterson Avenue  
HSCRC/MHCC Conference Room

January 9, 2019                    To be determined - 4160 Patterson Avenue  
HSCRC/MHCC Conference Room

Please note that Commissioner's binders will be available in the Commission's office at 11:15 a.m.

The Agenda for the Executive and Public Sessions will be available for your review on the Thursday before the Commission meeting on the Commission's website at <http://hscrc.maryland.gov/Pages/commission-meetings.aspx>.

Post-meeting documents will be available on the Commission's website following the Commission meeting.