Talking Points
HSCRC Rate Update Decision

June 5, 2013

- The Health Services Cost Review Commission (HSCRC) voted to allow hospitals to raise their rates by just 1.65 percent for the period from July 1 through December 31, 2013. This is less than inflation, meaning another real cut for hospitals. It is also lower than the very reasonable request made by Maryland's hospitals of 2.11 percent, with a temporary add on to mitigate the federal sequester cut, bringing the total request to 2.43 percent. Maryland hospitals have been in a financial skid as a result of recent HSCRC actions. Today, the Commission had an opportunity to begin to pull us out of that skid. Instead, their action worsens the situation

- With this rate update, the HSCRC is continuing a five-year stretch of updates that fall far below the cost of taking care of people:
  - ➢ Fiscal year 2010: Inflation = 2.00% … update = 1.49%
  - ➢ Fiscal year 2011: Inflation = 2.47% … update = 1.41%
  - ➢ Fiscal year 2012: Inflation = 2.29% … update = 1.56%
  - ➢ Fiscal year 2013, Inflation = 2.11% … update = 0.30%
  - ➢ Fiscal year 2014: Inflation = 2.31% … update = 1.65%

- The result of all these below-inflation updates is a hospital field with overall operating margins (operating margins are a standard measurement of an organization's financial health) that now are projected to fall below 0 percent next year, an historic low:
  - ➢ Fiscal year 2010: 2.2%
  - ➢ Fiscal year 2011: 3.3%
  - ➢ Fiscal year 2012: 2.4%
  - ➢ Fiscal year 2013: 0.50% (projected)
  - ➢ Fiscal year 2014: -0.24% (projected)

- Many hospitals are operating in the red, and the number will rise with this decision. Since 2011, the share of Maryland hospitals with negative operating margins has soared from 17 percent to 40 percent. This decision will make matters worse. Hospitals have already made dramatic reductions to expenses in almost every area: supplies, materials, improved business operations, and delayed renovations. But less-than-inflation pricing cannot be sustained.

- The single largest expense for a hospital is the people they employ – the nurses, technicians and others who provide care. Some hospitals already have been forced to cut jobs and curtail services; it is very likely with this decision that others will have to do the same. After so many years of belt tightening in response to inadequate funding, there simply is no other place to cut.

- Hospitals in Maryland employ nearly 100,000 people and are responsible for an additional 206,000 jobs through the "ripple effect" of employee and hospital spending. However, according to a report from the Maryland Hospital Association, every 1 percent drop in hospital revenues translates into 1,450 jobs lost across the state. That number includes hospital jobs as well as jobs that exist because of the more than $26 billion in economic activity across the state generated by hospital spending for goods and services in Maryland's communities.

- Many services and investments in IT, lifesaving technologies, and facilities improvements, all of which benefit Maryland’s economy, might need to be put on hold as hospitals reassess what can be accomplished with dwindling resources. The Commission’s desire to cut hospital spending won't stop people from coming to the hospital for care, or stop the costs of providing that care from rising.