Preview of the MPA Recommendation

Overview of the Medicare Performance Adjustment (MPA) Policy

- CMS requires the HSCRC to attribute patients to hospitals in Maryland and hold hospitals accountable for their attributed beneficiaries.
  - Under current policy, beneficiaries are attributed to hospitals using a tiered attribution algorithm.
  - Tiered attribution is necessary because 95% of all beneficiaries in the State must be attributed to some hospital.
  - Hospitals win or lose based on whether their attributed costs grow faster or slower than national growth – a discount factor.
- Staff and the TCOC Workgroup reviewed the existing MPA Policy, focusing on three things:
  1. Improvements in the MPA attribution
  2. Modifications to the financial methodology
  3. Assessing the interaction between the CTI and MPA polices.

Review of MPA Attribution Method

- Staff and hospitals are concerned about the complexity of the MPA attribution.
  - The complexity of the attribution algorithm makes it difficult to determine whether TCOC results are due to a hospital's performance or due to churn in the attribution algorithm.
  - Attribution based on plurality of physician services provided to beneficiaries was incorporated in order match ACO and programs but results in substantial churn.
- In order to simplify the attribution algorithms, staff compared different MPA attribution algorithms under three criteria:
  - 1) How much TCOC is the hospital responsible for as compared to their revenue; 2) What percentage of the beneficiaries' care is provided by their attributed hospital; and 3) What percentage of the hospital's services are provided to attributed beneficiaries.
  - Pure geographic attribution did at least as well as all other attribution algorithms (except for the Academic Medical Centers)
- Therefore, staff intends to recommend moving to geographic attribution.

Review of Financial Benchmarking

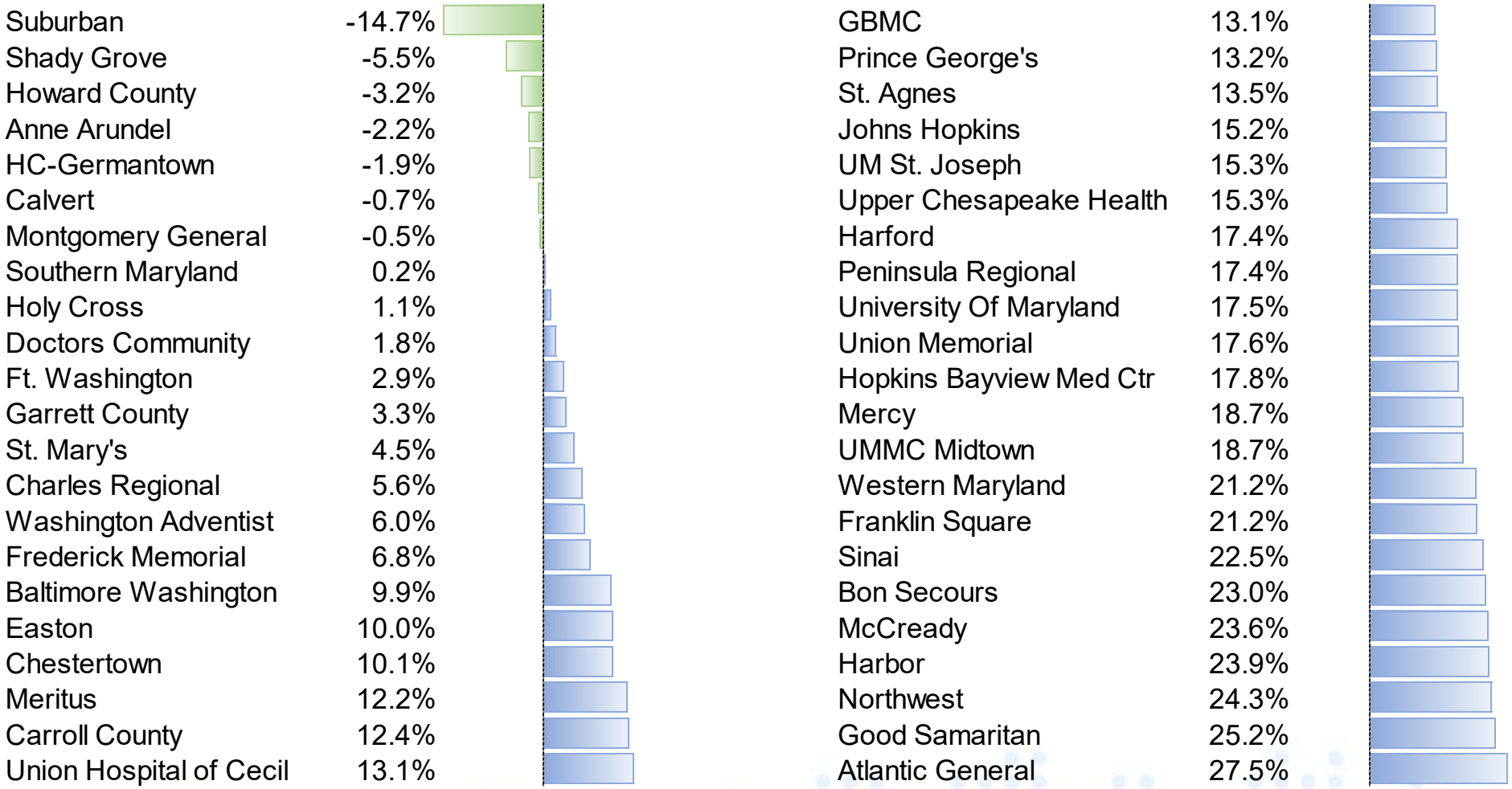
- Benchmarking to national growth rate also makes the MPA policy unpredictable and potentially volatile.
  - Comparing hospitals to a national year over year growth rate makes it hard for hospitals to know how much improvement is required for them to be successful.
  - Year over year variation can result in hospitals frequently flipping from winners to losers and back from year to year.
- Hospitals have suggested moving to an attainment standard rather than an improvement standard for the MPA.
  - A TCOC per capita target based on a comparison to the hospital's comparison group costs.
  - The benchmark would grow at the national growth rate but the TCOC target would be relatively stable over time.
- Staff intends to recommend moving to an attainment target for the MPA.

Overview of the Revised MPA Approach

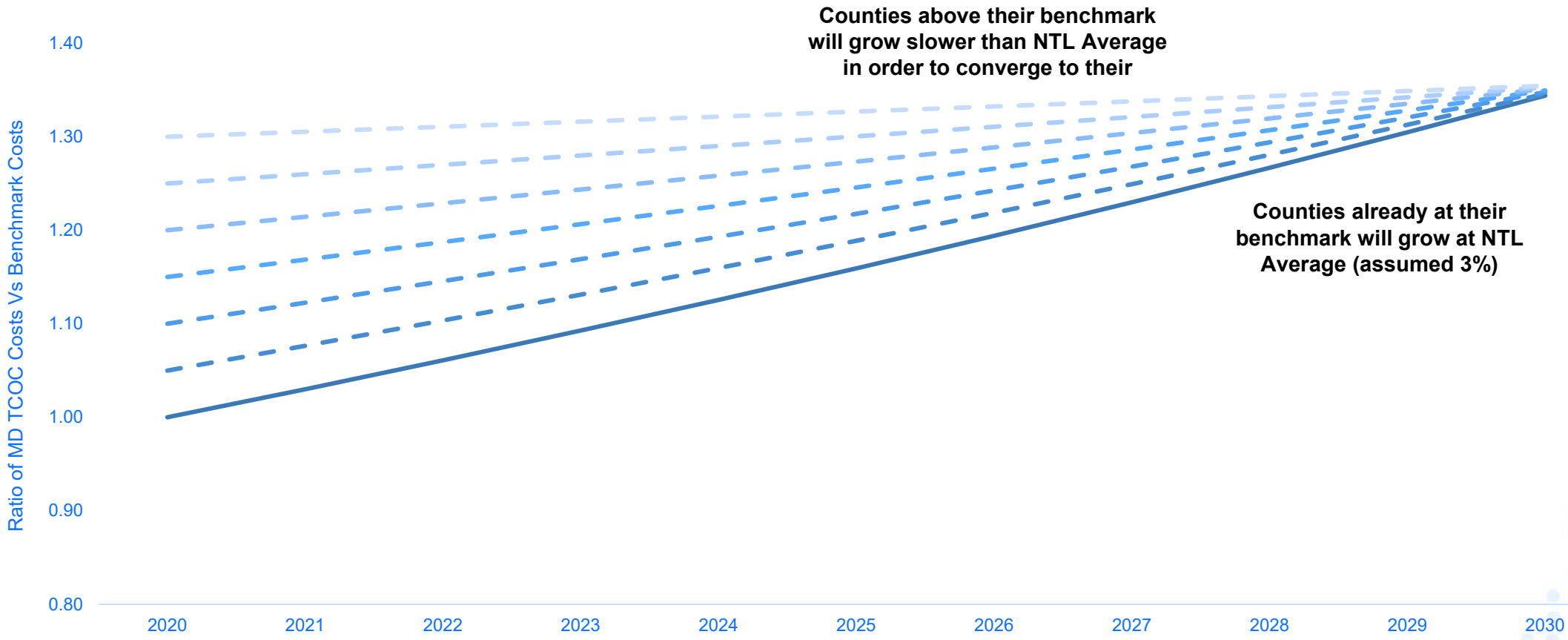
1. Create a hospital's TCOC per capita for their MPA attributed beneficiaries.
   A. The MPA beneficiaries are attributed based on the hospital's share of ECMADs in their PSAP zip codes.
   B. The same approach is used for the hospital benchmark analysis.
2. Determine the TCOC Growth Rate Adjustment for the hospital.
   A. Hospital's geographic TCOC is compared to their benchmark counties.
   B. The growth rate adjustment is determined by amount the hospital's geographic TCOC is greater / less than their benchmark counties.
3. Set the hospital's MPA Target based on their prior year target and a growth rate factor.
   A. For the 2021 MPA, the 'prior year MPA target' will be equal to the hospital's 2020 geographic TCOC.
   B. Going forward, the MPA target grows by the growth rate factor.
   C. Each year the growth rate factor is equal to the national growth rate – the TCOC growth rate adjustment.
4. Calculate the hospitals reward / penalty by taking the difference between their geographic TCOC and the MPA Target.
   A. Scale the difference based on quality and MPA revenue at risk.
   B. The MPA will be applied to the hospitals claims as a discount in the following fiscal year.

MC Benchmarking Results, % Above (Below) Benchmark

2018, Risk and Demographic Adjusted, Blended Statewide: 8.6%



Convergence to the Benchmark Costs



Attainment Adjusted MPA Growth Targets

Assuming $800 M over 10 years is the right target

- Hospitals' MPA performance target would be set so that hospital converge to their benchmark by 2030.
- Hospitals and TCOC workgroup members discussed whether eliminating excess Medicare costs is the right objective.
- Staff intends to recommend an attainment approach regardless of what the target would be.
- For example, setting a target that eliminates half of the Medicare excess costs would result in a more gradual growth rate adjustment.

Hospital Performance vs. Benchmark	TCOC Growth Rate Adjustment (Replaces 0.33% in current calculation)
<0%	-0.0%
0-5%	-0.5%
5-10%	-1.0%
10-15%	-1.4%
15-20%	-1.8%
20-25%	-2.2%
25-30%	-2.6%

Review of the MPA and CTI Policy Overlaps

- The CTI and MPA potentially overlap since both policies attempt to measure how successful hospitals have been at reducing the TCOC of Medicare beneficiaries.
  - CTI measure hospitals on an improvement basis which could be complementary to the MPA.
  - The CTI attribution is better targeted since hospitals can define their own populations.
- Staff recommends allowing hospitals to 'buy out' of the traditional MPA by increasing their participation in the CTI.
  - Staff will measure the ratio of TCOC covered by a hospital's CTI to the TCOC attributed to that hospital. The hospital's MPA penalty will be reduced by that ratio.
  - For example, if the hospital had half as many dollars under the CTI as under MPA attribution then a hospital will receive only half of the MPA penalty they would have otherwise received.
  - Only negative results would be impacted so hospitals will still be rewarded for good attainment results.

Increased TCOC Accountability for MDPCP

- The MDPCP program provides investments to primary care practices and to hospitals that run Care Transformation Organizations (CTOs).
  - Currently, there is little accountability for a practice's success at reducing hospital utilization and total cost of care.
  - First year results from the MDPCP program indicated little impact on TCOC despite large investments of care management fees.
  - Significant results were not expected in the first year of the program, but it suggests the need for greater accountability on hospital-run CTO moving forward
- To increase accountability, HSCRC could require hospitals that participate in MDPCP to also participate in a primary care-based CTI.
  - If hospital run CTOs do not participate in the CTI then HSCRC will assess an MPA penalty equal to the amount of the care management fees their practices receive.
  - The CTI will reward hospitals for reducing the TCOC on MDPCP beneficiaries. Hospitals that succeed at reducing the TCOC will receive a positive MPA adjustment equal to the savings they produce.
  - Hospitals that are not successful will pay for the savings of successful hospitals.