



Maryland
Hospital Association

March 22, 2019

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

Dear Chairman Sabatini:

On behalf of the Maryland's 62-member hospitals and health systems, we at the Maryland Hospital Association appreciate the opportunity to comment on the Commission's proposed MPA Efficiency Component. We want to address the need for the policy, the separation of the Update Factor from the MPA Efficiency Component, and the proposed rate year 2020 MPA Efficiency Adjustment.

Need for the Policy

Maryland's hospitals support the establishment of the MPA Efficiency Component. As stated by several Commissioners at the March public meeting, adopting the MPA Efficiency Component will de-couple the Medicare savings required under Maryland's Total Cost of Care (TCOC) Contract (the Contract) from the annual Update Factor. The Update Factor should contribute to sustainable growth for all stakeholders; it should not set growth limits to achieve Medicare-only savings. The MPA Efficiency Component is a useful tool, available through the Contract, and it is important to make it available as a safety net if Medicare TCOC savings targets are not met in future years.

Separation of Update Factor from MPA Efficiency Component

We agree that hospital spending growth is a critical consideration in setting the annual Update Factor. However, staff's recommendations about Update Factor spending growth should be addressed solely as part of the Update Factor recommendation, *not* as part of the final MPA Efficiency Component recommendation. Staff's recommendation on any limitations to the Update Factor should be addressed in the Payment Model Work Group's consideration of the fiscal year 2020 update to hospital global budgets.

Proposed 2020 MPA Efficiency Adjustment

In light of Maryland's current TCOC savings of about \$240 million, the state's hospitals strongly dispute the need for the proposed January 2020 Medicare payment reduction of \$7.5 million. The draft recommendation would in Year 2 reduce Medicare payments to guarantee achieving the Year 5 savings target. This premature taking of dollars is both unnecessary and inconsistent with the terms of the Contract. Hospital leaders understood that the MPA Efficiency Adjustment could be used to meet *annual* Medicare savings targets – and that it could also be used to *increase* payments to hospitals in the event of favorable performance. Given the current savings

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level and the ample time to achieve the target, there is clearly no need to reduce payments by \$7.5 million next January.

We look forward to continued discussions with Commissioners, Commission staff members and all stakeholders to address these significant issues. If you have any questions, please do not hesitate to contact me.

Sincerely,



Brett McCone
Senior Vice President, Health Care Payment

cc: Joseph Antos, Ph.D., Vice Chairman
Victoria W. Bayless
John M. Colmers
James N. Elliott, M.D.

Adam Kane
Jack Keane
Katie Wunderlich, Executive Director
Madeline Jackson