



Maryland
Hospital Association

April 10, 2020

Adam Kane
Chairman
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215

Dear Mr. Kane:

On behalf of Maryland's 61 hospitals and health systems, the Maryland Hospital Association offers our comments on the Health Service Cost Review Commission's (HSCRC) approach to hospital funding during the COVID-19 pandemic and a proposal to adjust global budgeted revenue (GBR) for an expected surge in patient volume.

The impact

Maryland's hospitals are on the COVID-19 front line. Our hospitals are being counted upon to save the lives of thousands and thousands of people. The State of Maryland and the federal government both ordered hospitals urgently to empty our beds to preserve supplies, equipment and space to prepare for a surge in patient volumes. The governor directed hospitals to invest to get ready to take in a number of patients that is nearly triple their normal staffed capacity.

These actions are the right things to do. Yet they come with an immediate and staggering cost. Maryland's hospitals will lose more than \$900 million in revenues in the final quarter of FY 2020. Hospitals' outlays to convert space, add beds and equipment, and increase staffing are also in the hundreds of millions. This is a deep financial trough that will require a long period of recovery.

Our asks

The Maryland model is unique, and we appreciate HSCRC's initial responses to support our hospitals. Given the immense financial pressure, more actions are required. We are asking for support to address our needs. We respectfully ask HSCRC to:

- Pass through COVID-19 surge volume funding at actual service use, when it occurs. We agree with HSCRC staff's approach to increase global budgets for COVID-19 patients. HSCRC should simplify the approach: once monthly charges exceed a monthly spread of the annual global budget, add on actual COVID-19 patient charges to the annual global budget. Hospitals and HSCRC can monitor monthly compliance in real time and not wait until January 1 to determine a year-end target.
- Allow price increases of up to 20% through June 30, 2020, and likely through June 30, 2021. At our financial peril, we answered the call to eliminate all non-essential activity. HSCRC staff plan to allow hospitals to recover lost revenues next year. We need to start

now and continue next year, particularly as we pay back accelerated payment loans. CARES Act dollars that started flowing to hospitals nationwide today will offset some lost revenues and help to cover some of the new costs.

- Increase payments from Medicaid and commercial health plans. Medicaid and commercial health plans will save hundreds of millions from the decline in normal care volumes. Medicare eliminated its 2% payment sequester through the end of the calendar year. The commission can eliminate the 2% prompt pay discount for Medicaid and commercial payers. At the very least, the commission should require a short-term increase in working capital from Medicaid and commercial payers.
- If needed, ask the Centers for Medicare and Medicaid Services (CMS) for flexibility on goals, targets and requirements under our agreement. Maryland's hospitals steadfastly support our agreement with CMS. The contract was not meant to constrain volumes during a global pandemic as hospitals need resources to open great amounts of capacity. CMS has waived many national rules for the emergency. Maryland's hospitals believe CMS would understand the need to relax provisions for a short time.
- Fund in advance start-up, stand-up and stand-by costs to increase hospital capacity. Costs at this scale were never considered when rates were built. These one-time expenses may become reimbursable by the federal government in an unknown future period. Funding these costs in rates, with a future reversal and payback if covered by federal support, enables hospitals to satisfy the state's demands regardless of cost.
- Allow hospitals flexibility to write off patient out-of-pocket cost-shares for the duration of the emergency. We recognize the impact of price increases on our patients. Net of other funding, rates will rise for the foreseeable future. Leveraging the uncompensated care policy allows us to further spread these impacts to reduce the burden on our patients.
- Hold a virtual, interactive policy briefing with stakeholders to answer questions and discuss the HSCRC's rationale for its actions.

Maryland's hospitals are stepping up, saving lives right now. The state of Maryland is blessed with the unique resource of our hospital rate setting system. On behalf of our hospitals and all Marylanders, now is the time to stand together. If you have any questions, please contact me.

Sincerely,



Brett McCone
Senior Vice President, Health Care Payment

cc: Joseph Antos, Ph.D., Vice Chairman
Victoria W. Bayless
Stacia Cohen, RN

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