Maryland
Hospital Association

May 4, 2021

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

Dear Chairman Kane:

On behalf of the Maryland Hospital Association's (MHA) 60 member hospitals and health systems, we commend the Health Services Cost Review Commission (HSCRC) for considering stakeholder input throughout the development of the integrated efficiency policy. We appreciate the opportunity to comment on the April 14 draft recommendation.

ICC Policy Dictates Outcome
A guiding principle of the policy is HSCRC's statutory mandate to ensure hospital costs are reasonable and charges are reasonably related to costs. Under the Inter-hospital Cost Comparison (ICC) methodology, hospitals cannot make management decisions that will affect the policy outcome because revenues and adjustment factors are fixed. Under the "Revenue for Reform" proposal, hospitals could quantify, and possibly boost, resources they invest to transform care. The hospital field understands the statutory requirement. HSCRC might further opine on what hospitals can achieve to improve policy results.

Evaluate the Impact of Additional Variables on ICC Performance
Several hospitals expressed the need to review longstanding peer groups. MHA appreciates the thorough analysis commissioned by HSCRC. The analysis focused on the cost factors peer groups were originally intended to address, including indigence of the patient population, urbanicity, and hospital teaching status.

Although many cost factors and their associated variables were tested, additional elements have been posited to influence ICC performance. The Commission should further evaluate the efficacy of the alternative and peer group approaches by testing factors including, but not limited to, geography, technology, and case mix index.

Vet the Benchmarking Methodology Prior to the FY2023 Policy Recommendation
Commercial and Total Cost of Care benchmarking accounts for 50% of hospitals' rankings in the efficiency matrix. Additionally, the benchmarking has been approved for use in the Medicare Performance Adjustment and was identified as a possible long-term Model savings target.

Since March 2020, hospitals re-allocated resources and staff to respond to the COVID-19 pandemic. When the methodology was introduced in August 2020, key hospital stakeholders were unable to review and thoroughly vet the methodology. Acknowledging the burden on hospitals, Commissioners extended the vetting period until six months after the surge recedes. Unfortunately, hospitals were still responding to surge events as recently as the last half of April.

Several hospitals are assessing the methodology. MHA and the hospital field will thoroughly review the methodology and provide comments to HSCRC staff over the next several months. Prior to the fiscal year 2023 policy recommendation, HSCRC should review methodology concerns with stakeholders and revise as necessary to limit unintended consequences.

Use the Scale of Withheld Inflation Approach Over the One Standard Deviation Rule
Consistent with concerns previously raised by Commissioners, removing the one standard deviation ICC threshold reduces the cliff effect observed in the previous approach. However, arraying hospitals into quartiles based on performance will always present some type of cliff effect for hospitals that are closely ranked. Hospitals that repeatedly fall within the worst quartile will have a portion of their inflation permanently removed each year, potentially leading to unintended adverse consequences. The Commission should periodically evaluate this impact, in addition to the sliding scale of withheld inflation.

Evaluate the Impact of COVID on Hospital Performance
MHA supports the staff recommendation to rebase hospital volumes to the 2019 period. The recommendation ensures the ICC methodology more accurately reflects hospital unit prices. As evidenced by the need to raise rate corridors during FY 2020 and 2021, COVID greatly impacted hospital volumes, which is not expected to completely subside in FY 2022. The Commission should monitor hospital performance over the next fiscal year and adjust for COVID-related volume effects as necessary.

Establish a Robust Vetting Process for Revenue for Reform Credits
HSCRC introduced the Revenue for Reform concept, proposing a safe harbor for care transformation investments and other spending expected to lower avoidable service use. Valuing the proposed interventions to compare among hospitals will require well-vetted criteria. It is imperative that HSCRC staff work with stakeholders to implement a sound methodology. Allowing ample time for stakeholder recommendations will culminate in a formal recommendation to the Commission that will stand up in practice.

Other Policy Considerations
Adjustments to hospital revenue for medical education costs are based on the number of interns and residents as of 2011. Since then, hospitals began new residency programs. HSCRC should periodically assess adjustments for medical education based on program changes.

Thank you for your commitment to a fair process and for your consideration of these critical policy implications. 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
Stacia Cohen, RN
John M. Colmers
James N. Elliott, M.D.
Sam Malhotra
Katie Wunderlich, Executive Director
Allan Pack, Principal Deputy Director