Maryland
Hospital Association

October 18, 2023

William Henderson
Principal Deputy Director, Medical Economics and Data Analysis
Maryland Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215

Dear Mr. Henderson:

On behalf of the Maryland Hospital Association's (MHA) 62 member hospitals and health systems, we appreciate the opportunity to comment on the proposed Medicare Performance Adjustment (MPA) and Care Transformation Initiative (CTI) changes—to raise the MPA risk reward from 1% to 2%, and limit downside CTI risk to 3%.

Support Mitigating MPA Risk If Combined with CTI Buy Out

As a condition of a per capita hospital payment system and under the contract agreement, a mechanism must be in place to measure Total Cost of Care Model (TCOC) performance with appropriate financial incentives. However, since the MPA was effectuated, hospital TCOC performance has been layered into additional HSCRC payment policies, including Care Transformation Initiatives (CTI) and the efficiency policy.

We support the HSCRC proposal to mitigate MPA risk by the same amount the hospital is at risk for under the CTI policy. HSCRC should further consider the MPA-like impact of the Medicare TCOC measure in the efficiency policy. For example, HSCRC could compare the efficiency rankings with and without the MPA TCOC. If a hospital's position is negatively impacted, then this level of risk should not overlap with MPA.

Hospital acceptance of HSCRC's proposal to boost the MPA risk and reward to 2% is contingent on implementing the CTI buy-out. This ensures the combined risks from different policies do not place an undue burden on hospitals, which are already navigating a complex landscape of changing payment models and care delivery transformation.

Payment policies are most effective when hospitals can affect the outcome. We remain concerned that strict geographic attribution does not capture hospital initiatives to transform care delivery. Under this approach, hospitals have limited opportunity to impact their attributed beneficiaries through treatment relationships, such as the Maryland Primary Care Program (MDPCP), Episode Quality Improvement Program (EQIP) affiliated providers, or hospital care transformation activities. HSCRC should review the attribution method as both risk and rewards increase.

Support Limiting CTI Downside Risk with Additional Cap Analysis

MHA supports limiting the downside risk under CTI. This approach aligns with establishing a maximum risk threshold for hospital quality payment programs. Rate year 2024 is the first year where financial adjustments were implemented, and HSCRC staff acknowledge it is difficult to predict results because of the lack of claims run out needed to measure performance.

While MHA supports capping downside risk, we ask HSCRC to evaluate the 3% cap, including potential formulaic alternatives to set the threshold. It is imperative to understand the methodology behind this percentage. At 3%, the cap only limits risk to one or two hospitals. As outlined below, a larger quantitative risk assessment of all policies is needed.

Measuring performance during 2022, including the COVID-19 surge, raises concerns. Assessing the CTI risk cap should include a thorough examination of how the unprecedented circumstances during COVID might have impacted the results and understand the consequent implications for future performance years. Given the profound disruptions faced during this period, it is crucial to ask whether the proposed risk cap is appropriate in the post-pandemic landscape.

MHA believes in the merit of a risk ceiling but stresses the need to assess all relevant factors when establishing the limit.

Quantify Financial Risk in All Policies

MHA respectfully requests that HSCRC quantify the risk and reward of all value-based payment policies, or those that adjust, or potentially adjust, a hospital's all-payer rates or Medicare payments, based on total cost of care performance.

- What is the maximum amount of risk/reward and what is the average realized risk/reward in each policy?
- Where applicable, calculate how certain policies overlap or conflict, and whether these interactions compound the overall effect.

As Maryland's TCOC Model has evolved, hospitals must navigate a variety of payment incentives—all designed to enhance the precision of rate setting or improve the accuracy of performance. Understanding the budgetary impact of each policy and the combined impact of all policies is required, particularly before new policies are applied.

We appreciate your attention to this matter and are happy to discuss our recommendations. Please contact me with any questions.

Sincerely,

Brett McCone
Senior Vice President, Health Care Payment

Cc: Jon Kromm, Executive Director
Allan Pack, Principal Deputy Director