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May 12, 2014

John M. Colmers
Chairman, Health Services Cost Review Commission
3910 Keswick Road
Suite N-2200
Baltimore, Maryland 21211

Dear Chairman Colmers:

On behalf of the 66 members of the Maryland Hospital Association (MHA), we would like to take this opportunity to comment on the draft *Update Factors Recommendations for FY 2015* scheduled to be presented to the commission at its May 14 meeting. The hospital field has been actively engaged in the discussions held by the commission's Payment Models Workgroup, which has provided guidance to the staff as it prepared the recommendations to be considered. We would like to compliment commission staff on the constructive dialogue that has taken place throughout these deliberations. The commission should be proud of the efforts to date in moving forward expeditiously with the implementation of Maryland's new all-payer model. Much work will remain after the commission takes action on this fiscal year 2015 balanced update recommendation, and hospitals will continue our commitment to the workgroup process.

In its final report, the HSCRC's Advisory Council provided important advice to the Commission: ***"...to strike a balance between near-term cost control, which is paramount, and making the required investments in physical and human infrastructure necessary for success. If we do not meet the near-term targets, there will be no long-term program. But if we fail to make the needed infrastructure investments, we will not have the toolkit of reforms necessary to achieve lasting success."*** Based on that advice, we ask for three changes to the draft recommendation on the update before you: (1) the level of infrastructure allowance provided for global budget hospitals; (2) adjustments for other assessments; and (3) the proposed update for non-waiver hospitals.

Infrastructure Allowance

During the Payment Models Workgroup deliberations, there was general concern expressed that the level of infrastructure funding being provided in the proposed update (0.33 percent for global budget hospitals, for an overall system impact of 0.26 percent) was insufficient for hospitals to make the necessary adjustments to achieve sustainable success under the waiver. In their initial Total Patient Revenue (TPR) agreements three years ago, TPR hospitals were provided incentive funding well in excess of the amounts proposed here to allow them to undertake the risks inherent in the global budget model. We urge the commission to increase (from 0.33 percent as proposed, to 0.66 percent of the new global budget hospital revenues, or 0.50 percent overall system impact) this critical infrastructure funding for fiscal year 2015. The additional funding should come from the "set aside for unforeseen adjustments and cushion" indicated in staff's draft balanced update model. Staff has charged a sub-group with designing a formal reporting template for all global budget hospitals to provide an accounting of their use of these infrastructure funds, so that commissioners will be able to link the investment of these funds with measurable outcomes of the programs hospitals will be implementing/enhancing to ensure long-term success under the new all-payer model.

Other Assessments

At the request of MHA, the staff model includes a line for “other assessment adjustments,” to specifically account for reductions in the Medicaid deficit assessment that should be anticipated in this balanced update model for fiscal year 2015. The net reduction in uncompensated care and the Maryland Health Insurance Plan assessment will save Medicaid money in fiscal year 2015, potentially as much as \$15 million in general funds, as a result of these two rate reductions alone. Just as the commission has prospectively anticipated reductions in uncompensated care from the full benefits now provided to the Medicaid Primary Adult Care population and lowered rates accordingly, the Commission should prospectively reduce rates, accounting for the lower Medicaid assessment. That way, the Medicaid assessment reduction in rates is available to reduce costs to all payers, including the Medicare program.

Non-waiver Hospital Update

Staff has recommended an update of 2.0 percent for the psychiatric hospitals and Mt. Washington Pediatric Hospital for next year. They derive this recommendation by using the offsets in the Medicare proposed rule for Inpatient Psychiatric Facilities (0.4 percent for productivity, and 0.3 percent as required for those facilities under the Affordable Care Act). We oppose applying the Medicare budget-mandated offset of 0.3 percent to non-Medicare payers in Maryland, and propose instead an update for these facilities of 2.3 percent. For Medicare, the psychiatric hospitals in Maryland would receive the same 2.0 percent update as hospitals nationally, so there would be no impact on the Medicare waiver savings calculation by accepting the MHA recommendation. Furthermore, these hospitals are excluded from the all-payer test calculation, so allowing the additional request of 0.3 percent in all-payer rates will have no impact on the all-payer test calculation. Just like their waiver hospital counterparts, these non-waiver hospitals will be critical to the long-term success of managing the health of entire populations under our all-payer model, especially for the unique populations that they serve. We believe that the update request of 2.3 percent for fiscal year 2015 will provide these hospitals with the critical resources they need

We appreciate the opportunity you have provided us to address the *Update Factor Recommendations for FY 2015*, and look forward to further discussion of the concerns that we have raised at the commission meeting on May 14. In the meantime, if you have any questions, please contact me at MHA.

Sincerely,



Michael B. Robbins, Senior Vice President Financial Policy & Advocacy

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