Maryland
Hospital Association

November 19, 2018

Dianne Feeney
Associate Director, Quality Initiatives
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Dear Dianne:

On behalf of the Maryland Hospital Association's 63 member hospitals and health systems, we appreciate the opportunity to comment on the Health Services Cost Review Commission's (HSCRC's) *Draft Recommendations for Updating the Quality-Based Reimbursement Program for Rate Year 2021*. The Quality Based Reimbursement (QBR) policy includes measures of in-hospital safety and outcomes such as infections, patient experience of care and mortality. Of all Maryland's value-based policies, this one aligns most closely with national Medicare policies, in this case, the Value Based Purchasing (VBP) program. Two years ago, commissioners approved the staff's recommendation to set an aggressive payment scale for the rate year 2019 QBR policy in order to provide additional incentive for Maryland's hospitals to improve performance relative to the nation. As expected, Maryland's hospitals improved – as did the nation's – and all but two Maryland hospitals are being penalized in fiscal 2019 for a total revenue reduction of 0.36 percent, or over $6 million.

Although the HSCRC's intention was to strengthen incentives to close the performance gap relative to the nation, in this case, it has not produced the hoped-for results. Our view is that attempting to strengthen the incentive through a tougher payment scale and larger penalties did not work because the policy is flawed.

A number of concerns have been raised with the VBP program and those concerns have weakened its ability to drive performance improvement. The program was the first Medicare program to tie performance to payment. The programs implemented since then are simpler and easier to monitor. The concerns plaguing this policy include:

- The lag between performance period, data publication and payment adjustment is long, making it difficult to tie specific interventions and behaviors to outcomes
- Performance improvement on patient experience of care measures moves slowly, making it difficult to notice the impact of new interventions. This measure accounts for half of Maryland's QBR score
- Infections occur infrequently, making measurement of performance volatile. This component accounts for 35 percent of Maryland's score.
- Questions have been raised nationally about whether risk adjustment and validation of the measures are adequate, calling into question the validity of results

Our recommendations

The staff's recommendation to align the measures with national Medicare policies is a step in the right direction, but do not go far enough. We also recommend weighting the domains and payment scale to align with national Medicare policy. Each domain is weighted equally in the national policy, and the score to begin earning rewards tends to be 37 percent to 40 percent. The Maryland scale requires a hospital to score above 45 percent to avoid a penalty and begin earning a reward. Based on the most recent Medicare data, the national average score in the VBP program would be 37 percent. (Details enclosed.)

HSCRC staff has said that the Medicare Performance Adjustment (MPA) will be included in the accounting of Maryland's revenue at risk. The MPA risk should not just be added to the already high risk in Maryland; it should offset some of the risk.

Nearly 8 percent of Maryland's all-payer revenue is tied to performance-based policies – compared to 4 percent of Medicare revenue nationally tied to performance measures. The national risk on an all-payer basis is 1.6 percent (4 percent x an assumption of 40 percent Medicare). Even considering that hospitals may have some performance-based contracts with private payers, Maryland's risk – on these measures alone – is substantially higher than the nation. (Details enclosed.)

As Maryland's hospitals focus on managing total cost of care, working with physician and community partners, and meeting the aims of the total cost of care demonstration, it is important to keep the focus on the measures that matter. Our recommendations noted above will provide that greater focus if implemented.

We appreciate the commission's consideration of our feedback. Should you have any questions, please call me at 410-540-5087.

Sincerely,

Traci La Valle

Traci La Valle, Vice President

cc: Nelson Sabatini, Chairman
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

Enclosure

Almost 8 Percent of Maryland's Hospitals' All-Payer Revenue is Tied to Value Compared to 4 Percent of Medicare Revenue in the Nation

Comparison of Maryland All-Payer and National Medicare Value-Based Risk

	Maryland All-Payer		National Medicare	
	Maximum Penalty Risk	FY 2019 Actual Penalties	Maximum Penalty Risk	FY 2018 Actual Penalties
QBR/VBP, Complications and Readmissions	3.9%	-0.51%	3.9%	-0.46%
MPA (Begins in FY 2020)	0.2%	N/A	-	-
PAU Savings	3.8%	-1.69%	-	-
Total	7.9%	-2.20%	3.9%	-0.46%

To compare the nation's 0.46% Medicare penalty to Maryland's 2.20% all-payer penalty, multiply the 0.46% national penalty x an assumption of 40% Medicare share. The resulting national all-payer penalty is 0.18%. Maryland's hospitals' actual risk is more than 10 times greater than the nation's.

Notes: In Maryland, a total of 6 percent of inpatient all-payer revenue is at risk on QBR, Complications and Readmissions. In CY 2018/FY 2020, 0.5 percent of total Medicare revenue is at risk on the Medicare Performance Adjustment. 5.85 percent of all-payer inpatient is at risk on PAU Savings. In the nation, a total of 6 percent of Medicare inpatient revenue is at risk on VBP, Complications, and Readmissions. Actual penalties are the revenue-weighted statewide and national adjustments and the net of penalties and rewards. Actual amounts are provided for the nation in FY 2018 instead of estimating FY 2019 national Medicare hospital payments.

Percentages of total revenue are based on the national inpatient/outpatient proportion of 65%/35% and the assumption that Medicare payments are 40 percent of all-payer.

MHA Recommendation: FY 2021 Quality Weighting

		CMS FFY 2019 National		Maryland CY 18/FY 2020		MHA Recommendation: CY 2019/FY 2021	
VBP/QBR		Weight	Risk	Weight	Risk	Weight	Risk
	NHSN, PC-01, PSI-90*	25%	0.50%	35%	0.70%	25%	0.50%
	HCAHPS	25%	0.50%	50%	1.00%	25%	0.50%
	Mortality*and THA/TKA Complications	25%	0.50%	15%	0.30%	25%	0.50%
	Efficiency*	25%	0.50%		-	25%	0.50%
	Total	100%	2.00%	100%	2.00%	100%	2.00%
Complications							
	NHSN, PC-01 and PSI-90*		1.00%		-		-
	PPCs				2.00%		1.00%
Readmissions			3.00%		2.00%		1.50%
PAU					1.75%		1.75%
Total			6.00%		7.75%		6.25%

* PC-01 is early elective delivery and PSI-90 is a composite patient safety indicator (PSI-90 is currently on hold). CMS measures 30-day mortality rate for acute myocardial infarction, heart failure, pneumonia, chronic obstructive pulmonary disease and coronary artery bypass graft. Maryland measures all-payer in-hospital mortality. THA and TKA are total hip and knee 90-day complications—not included in Maryland policy. Efficiency in the national program is measured as Medicare spending per beneficiary. In Maryland, the risk on the new Medicare Payment Adjustment policy can be counted as an efficiency measure in QBR.

Maryland's Hospitals Would Still Bear Significantly More Risk than Hospitals Nationally by Adopting MHA Recommendations

Comparison of Maryland All-Payer and National Medicare Value-Based Risk with MHA Recommendations for FY 2021

	Maryland All-Payer		National Medicare	
	Maximum Penalty Risk	FY 2019 Actual Penalties	Maximum Penalty Risk	FY 2018 Actual Penalties
QBR/VBP, Complications and Readmissions	2.6%	-0.51%	3.9%	-0.46%
MPA	0.4%	N/A	-	-
PAU Savings	3.8%	-1.69%	-	-
Total	6.8%	-2.20%	3.9%	-0.46%

Notes: In Maryland, a total of 6 percent of inpatient all-payer revenue is at risk on QBR, Complications and Readmissions. In CY 2018/FY 2020, 0.5 percent of total Medicare revenue is at risk on the Medicare Performance Adjustment. 5.85 percent of all-payer inpatient is at risk on PAU Savings. In the nation, a total of 6 percent of Medicare inpatient revenue is at risk on VBP, Complications, and Readmissions. Actual penalties are the revenue-weighted statewide and national adjustments and the net of penalties and rewards. Actual amounts are provided for the nation in FY 2018 instead of estimating FY 2019 national Medicare hospital payments.

Percentages of total revenue are based on the national inpatient/outpatient proportion of 65%/35% and the assumption that Medicare payments are 40 percent of all-payer.