Maryland
Hospital Association

April 4, 2016

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

Dear Ms. Feeney:

On behalf of the 64 hospital and health system members of the Maryland Hospital Association (MHA), we appreciate the opportunity to comment on the proposed changes to the *Draft Recommendation for Updating the Readmissions Reduction Incentive Program for Rate Year 2018* and the *Draft Recommendation for the Aggregate Revenue Amount At-Risk under Maryland Hospital Quality Programs for Rate Year 2018*. The draft recommendations raise three important policy concerns: the need for individual hospital consideration when there is no performance standard for readmissions; the lack of justification for expanding a penalty-only performance metric (shared savings) and to include an ill-conceived idea of measuring Prevention Quality Indicators and sepsis cases at the hospital level; and the amount of revenue at risk under quality-related programs. It is important that these policies be considered in the context of a second year of very favorable performance on the financial and quality metrics specified in the all-payer demonstration agreement. The hospital field has demonstrated that it can deliver on the demonstration targets ahead of the pace outlined in the agreement. In submitting our comments, we urge you to keep in mind the Health Services Cost Review Commission (HSCRC) Advisory Council's early advice to implement the agreement using broad targets and incentives and to avoid excessive regulation, thus allowing hospitals the flexibility to meet those targets.

Fiscal Year 2018 Policy (Calendar 2016 Performance)

HSCRC staff and the hospital field have made considerable progress in understanding readmissions rates over the last year. Most notably, we finally have a method to calculate Medicare readmissions that we believe fairly compares Maryland's unadjusted readmissions rates to the nation. We have also made progress on measuring social and demographic factors that affect readmissions rates and in quantifying the impact of other factors in a risk-adjusted model. However, we do not yet have a model that everyone agrees should be used to set a target readmissions rate for each hospital.

In calendar year 2015, it became clear that hospitals with lower starting readmissions rates were less likely to reduce readmissions and may even experience increases. We also saw a pattern that readmissions rates move up or down in tandem with admissions. Just as we do not fully understand the complex interplay of factors driving hospital readmissions rates, we are not yet

able to fully account for the factors driving overall utilization in each market, such as changes in physician and payer referral patterns.

Last year, HSCRC's readmissions policy included a provision that any hospital that believed the readmissions reduction policy was penalizing them inappropriately could bring additional information to HSCRC to more fully explain their individual circumstances. To date, a number of hospitals have met with HSCRC, but none has received penalty relief. HSCRC staff does not yet appear to have a mechanism to determine when a hospital is a good performer, even on an individual basis.

We recommend that HSCRC continue to work with the hospital field to come to agreement on a mechanism to determine a hospital-specific readmissions target so that the readmissions policy can recognize both attainment and improvement. Hospitals that have attained lower readmissions rates should not be penalized, particularly when those rates are well below state and national averages.

Penalty Relief Fiscal Year 2017 (Calendar 2015 Performance)

MHA has been advocating for a mechanism to recognize hospitals that have low readmissions rates and those that have significantly improved. Our recommended modification to fiscal 2017 policy accomplishes that by lowering the statewide target and mitigating penalties for hospitals whose rates are among the lowest third of the state in both the base year and the performance year. The options proposed by HSCRC do one or the other, but not both. The options to recognize Medicare improvement or all-payer improvement tend to help hospitals that have experienced larger reductions in readmissions generally. The option to lower the improvement target for hospitals with base rates below statewide average is a step in the right direction, but still leaves subject to penalties too many hospitals with low readmissions rates. Appendix 1 shows the MHA proposal, and our projection of the hospital-specific and statewide impact of all three proposals.

HSCRC staff stated in their recommendation that they disagree with lowering the statewide reduction target. However, at the time the 9.3 percent target was set, there was significant uncertainty around what an appropriate target would be. Maryland did not yet have the base year readmissions rates for the state and the nation, so we did not know how much difference Maryland's hospitals needed to make up, nor whether our year one performance was on track to meet the Medicare demonstration target. Now, with better data, we know that the 7.1 percent all-payer reduction through November 2015 has Maryland comfortably meeting the statewide Medicare readmissions target as specified in the demonstration agreement. Clearly, the 9.3 percent target was too aggressive.

Expanding "Shared Savings"

The staff recommendation links fiscal year 2017 penalty relief to a proposed larger "shared savings" reduction, to generate additional savings for Medicare and all other payers. This is completely unnecessary from a financial incentive standpoint, and poorly conceived from a

performance measurement standpoint. The financial targets of the all-payer model would allow the commission to mitigate fiscal 2017 penalties without additional offsets. Maryland is already far ahead of the Medicare savings targets. The cumulative year two savings target is $49 million, but in year one alone more than $100 million in savings was generated. Likewise, there is plenty of cushion under the all-payer cap. In fiscal year 2015, commissioners approved a 2.35 percent per capita increase to global budgets. The per capita increase actually provided in global budgets was 1.85 percent, according to commission data. Likewise, in fiscal 2016, commissioners approved an increase of 2.61 percent per capita, and through January, hospital per capita revenue has increased only 1.52 percent. Across the two years combined, 5.02 percent per capita growth was approved, but only 3.47 percent per capita has been reflected in hospital rates.

From a performance measurement standpoint, adjusting hospital revenues by a modified version of the Agency for Healthcare Research and Quality Prevention Quality Indicator (PQI) admissions disregards the important fact that the measure is intended to evaluate the rate of preventable admissions in a *population*. The agency never intended for the admissions to be counted at the provider level without knowing the population at risk for a PQI admission. Without understanding the denominator, or the ability to quantify the number of people who were at risk for admission to a hospital, PQI performance cannot be compared across hospitals. Hospitals with a more surgical focus will have lower PQI rates, hospitals in areas where there is low population density and fewer physicians will have higher rates. The enclosed chart shows that PQI admissions per 1,000 population vary significantly by county. The concept, perhaps well intentioned, is that the hospital is responsible for the health of its community, so if fewer people are admitted for chronic conditions, it must mean that the community is healthier. It could also mean that primary care services are more available, or that patients went to another hospital.

The measurement issues related to sepsis are also significant, and should cause concern when being considered for inclusion in the proposed readmissions shared savings policy. There is national debate among physicians and infection preventionists about when a patient's clinical conditions should be labeled as sepsis. Over-identification can lead to overuse of antibiotics and proliferation of other complications, such as Claustridium Difficile. Patient Safety Organizations and the Centers for Medicare & Medicaid Services are focused on reducing sepsis mortality by identifying people who are in the early stage of sepsis and need antibiotics and hydration within three hours to reduce the risk of dying. Patient safety interventions such as these that rely on early detection may cause an initial increase in the number of sepsis cases, but should also be accompanied by reductions in sepsis mortality. Adding an incentive to reduce sepsis cases could be at odds with efforts to identify and reduce sepsis mortality. Septicemia and shock, which may be the result of the body's reaction to sepsis, are included in the Maryland Hospital-Acquired Conditions program, and sepsis mortality is included in HSCRC's Quality Based Reimbursement program.

The HSCRC staff recommendations on a fiscal year 2018 readmissions policy, fiscal year 2017 readmissions penalty mitigation, and in particular, the recommendation to tie penalty relief to an expansion of a penalty-only policy based on performance metrics that are not suited to hospital

level measurement and which seem to be hastily constructed, are overly punitive. The hospital field's strong performance on all of the Medicare demonstration metrics indicate that the current performance incentives are working well. There are already incentives to reduce PQIs inherent in the global budget, and the Maryland amount of revenue at risk is greater than the nation, no matter which way it is measured. Piling on additional metrics, additional penalties and additional risk would jeopardize and remove focus from the good work and good results hospitals are already delivering.

We appreciate the commission's consideration of our comments.

Sincerely,

Traci La Valle
Vice President

Enclosure

Readmission Policy Modifications to Consider

- Hospitals with lower starting readmissions rates in calendar year 2013 base period are seeing smaller percentage reductions and in some cases increases in calendar year 2015
- As a state, Maryland is performing very well on the calendar year 2015 readmissions test specified in the demonstration agreement Medicare unadjusted readmissions rate declining at 2.9 percent compared to 0.62 percent nationally
- Potential Modifications:
  - Attainment – Protect from penalty:
    - Readmissions rate is in the lowest third statewide in both calendar years 2013 and 2015
  - Improvement
    - Lower the uniform target to statewide improvement ~ 7.3 percent for calendar year 2015 (fiscal year 2017) policy

MHA Proposed Penalty Modification FY 2017 Readmissions Reduction Policy

		HSCRC All-Payer Risk Adjusted	HSCRC All-Payer Risk-Adjusted	HSCRC All-Payer Risk-Adjusted Change	HSCRC All-Payer Risk Adjusted	HSCRC All-Payer Risk-Adjusted	Payment Adjustment Current Policy	Payment Adjustment MHA
		CY 2013	CYTD 2015	CY 2013 - CYTD 2015	CY 2013	CYTD 2015		
	Hospital Name		Jan-Nov			Jan-Nov		
210017	Garrett County Memorial Hospital	7.7%	7.9%	1.94%	1	1	-1.29%	0.00%
210039	Calvert Memorial Hospital	10.6%	9.1%	-13.79%	2	2	0.52%	0.61%
210032	Union Hospital	10.9%	12.7%	16.64%	3	26	-2.98%	-2.24%
210005	Frederick Regional Health System	11.5%	11.2%	-2.70%	4	6	-0.76%	0.00%
210003	Prince George's Hospital Center	11.5%	12.3%	6.93%	5	20	-1.87%	-1.33%
210037	University of Maryland Shore Medical Center at Easton	11.5%	12.3%	6.41%	5	18	-1.81%	-1.28%
210057	Adventist Shady Grove Medical Center	11.9%	11.4%	-4.13%	7	8	-0.59%	0.00%
210019	Peninsula Regional Medical Center	11.9%	11.6%	-2.86%	8	11	-0.74%	0.00%
210044	Greater Baltimore Medical Center	11.9%	11.5%	-3.19%	8	9	-0.70%	0.00%
210016	Washington Adventist Hospital	12.1%	12.4%	2.23%	10	21	-1.33%	-0.89%
210022	Suburban Hospital	12.1%	11.5%	-5.03%	11	9	-0.49%	0.00%
210004	Holy Cross Hospital	12.3%	12.4%	0.41%	12	21	-1.12%	-0.72%
210006	University of Maryland Harford Memorial Hospital	12.4%	11.1%	-10.48%	13	5	0.14%	0.30%
210001	Meritus Medical Center	12.5%	12.9%	3.12%	14	30	-1.43%	-0.97%
210010	University of Maryland Shore Medical Center at Dorche	12.6%	12.0%	-4.46%	15	16	-0.56%	-0.27%
210063	University of Maryland St. Joseph Medical Center	12.7%	11.4%	-10.26%	16	7	0.11%	0.28%
210049	University of Maryland Upper Chesapeake Medical Cen	12.7%	11.6%	-8.68%	17	12	-0.07%	0.13%
210058	University of Maryland Rehabilitation & Orthopaedic In	12.7%	13.8%	8.33%	18	38	-2.03%	-1.46%
210062	MedStar Southern Maryland Hospital Center	12.7%	12.4%	-2.43%	19	23	-0.79%	-0.45%
210048	Howard County General Hospital	12.9%	12.8%	-1.01%	20	27	-0.95%	-0.59%
210035	University of Maryland Charles Regional Medical Cente	12.9%	11.7%	-9.67%	21	13	0.04%	0.22%
210033	Carroll Hospital Center	12.9%	12.6%	-2.94%	22	25	-0.73%	-0.41%
210023	Anne Arundel Medical Center	13.0%	12.2%	-5.78%	23	17	-0.40%	-0.14%
210061	Atlantic General Hospital	13.0%	9.9%	-23.62%	24	4	1.00%	1.00%
210045	McCready Foundation	13.0%	9.4%	-27.86%	25	3	1.00%	1.00%
210027	Western Maryland Health System	13.1%	12.8%	-2.44%	26	29	-0.79%	-0.45%
210028	MedStar St. Mary's Hospital	13.4%	11.7%	-12.39%	27	15	0.35%	0.48%
210018	MedStar Montgomery Medical Center	13.4%	12.4%	-7.44%	28	24	-0.21%	0.01%
210060	Fort Washington Medical Center	13.9%	11.7%	-15.72%	29	14	0.74%	0.79%
210051	Doctors Community Hospital	13.9%	13.0%	-6.70%	30	32	-0.30%	-0.06%
210034	MedStar Harbor Hospital	13.9%	13.9%	-0.43%	31	40	-1.02%	-0.64%
210015	MedStar Franklin Square Medical Center	14.0%	12.9%	-8.20%	32	30	-0.13%	0.08%
210030	University of Maryland Shore Medical Center at Chester	14.8%	12.3%	-16.61%	33	19	0.84%	0.87%
210055	Laurel Regional Hospital	14.9%	14.3%	-3.76%	34	42	-0.64%	-0.33%
210011	Saint Agnes Hospital	14.9%	13.5%	-9.53%	35	37	0.03%	0.21%
210012	Sinai Hospital of Baltimore	15.1%	13.3%	-12.48%	36	35	0.37%	0.48%
210056	MedStar Good Samaritan Hospital	15.2%	13.3%	-12.15%	37	36	0.33%	0.45%
210024	MedStar Union Memorial Hospital	15.2%	12.8%	-16.21%	38	27	0.79%	0.83%
210043	University of Maryland Baltimore Washington Medical (	15.3%	13.9%	-9.11%	39	39	-0.02%	0.17%
210002	University of Maryland Medical Center	15.3%	14.0%	-8.70%	40	41	-0.07%	0.13%
210009	The Johns Hopkins Hospital & Health System	15.4%	14.4%	-6.67%	41	43	-0.30%	-0.06%
210008	Mercy Medical Center	15.6%	13.0%	-16.76%	42	32	0.86%	0.88%
210040	Northwest Hospital Center	16.0%	13.2%	-17.97%	43	34	1.00%	1.00%
210029	Johns Hopkins Bayview Medical Center	16.3%	14.8%	-9.07%	44	44	-0.03%	0.17%
210038	University of Maryland Medical Center Midtown Campu	17.7%	16.3%	-8.13%	45	46	-0.13%	0.08%
210013	Bon Secours Baltimore Health System	20.4%	16.0%	-21.93%	46	45	1.00%	1.00%

HOSPITAL ID	HOSPITAL NAME	HSCRC All-Payer Risk Adjusted	HSCRC All-Payer Risk-Adjusted	Current Policy	HSCRC Option 1 "Better Of"	HSCRC Option 2 Target Reduction	MHA Proposal	Current Policy	HSCRC Option 1 "Better Of"	HSCRC Option 2 Target Reduction	MHA Proposal
		CY 2013	CYTD 2015 Jan-Nov	Payment Adjustments (percent of inpatient revenue)				Payment Adjustments (revenue)			
210017	Garrett County Memorial Hospital	7.72%	7.87%	-1.29%	-1.11%	-0.11%	0.00%	$ (241,971)	$ (208,378)	$ (20,212)	$ -
210039	Calvert Memorial Hospital	10.59%	9.13%	0.52%	0.87%	0.77%	0.61%	$ 347,506	$ 587,141	$ 515,679	$ 408,505
210032	Union Hospital	10.88%	12.69%	-2.98%	-2.98%	-1.03%	-2.24%	$ (2,022,777)	$ (2,022,777)	$ (702,251)	$ (1,517,862)
210037	University of Maryland Shore Medical Ce	11.54%	12.28%	-1.81%	-1.73%	-0.64%	-1.28%	$ (1,712,626)	$ (1,641,246)	$ (604,907)	$ (1,215,260)
210005	Frederick Regional Health System	11.48%	11.17%	-0.76%	-0.76%	-0.01%	0.00%	$ (1,437,364)	$ (1,437,364)	$ (25,423)	$ -
210003	Prince George's Hospital Center	11.54%	12.34%	-1.87%	-1.87%	-0.67%	-1.33%	$ (3,306,993)	$ (3,306,993)	$ (1,192,459)	$ (2,357,567)
210019	Peninsula Regional Medical Center	11.90%	11.56%	-0.74%	-0.74%	-0.10%	0.00%	$ (1,730,896)	$ (1,730,896)	$ (236,619)	$ -
210057	Adventist Shady Grove Medical Center	11.87%	11.38%	-0.59%	-0.50%	0.00%	0.00%	$ (1,359,757)	$ (1,138,386)	$ (4,130)	$ -
210044	Greater Baltimore Medical Center	11.90%	11.52%	-0.70%	-0.70%	-0.08%	0.00%	$ (1,414,607)	$ (1,414,607)	$ (154,761)	$ -
210022	Suburban Hospital	12.13%	11.52%	-0.49%	0.03%	0.00%	0.00%	$ (890,608)	$ 58,291	$ 5,905	$ -
210016	Washington Adventist Hospital	12.12%	12.39%	-1.33%	-1.33%	-0.55%	-0.89%	$ (2,142,549)	$ (2,142,549)	$ (890,223)	$ (1,439,832)
210010	University of Maryland Shore Medical Ce	12.56%	12.00%	-0.56%	-0.56%	-0.16%	-0.27%	$ (139,833)	$ (139,833)	$ (41,169)	$ (66,728)
210001	Meritus Medical Center	12.49%	12.88%	-1.43%	-1.43%	-0.78%	-0.97%	$ (2,676,327)	$ (2,676,327)	$ (1,463,972)	$ (1,825,734)
210049	University of Maryland Upper Chesapeak	12.68%	11.58%	-0.07%	-0.07%	0.17%	0.13%	$ (106,967)	$ (106,967)	$ 254,876	$ 191,376
210004	Holy Cross Hospital	12.34%	12.39%	-1.12%	-0.22%	-0.49%	-0.72%	$ (3,565,221)	$ (706,146)	$ (1,570,701)	$ (2,301,448)
210006	University of Maryland Harford Memoria	12.41%	11.11%	0.14%	0.14%	0.38%	0.30%	$ 63,621	$ 63,621	$ 178,448	$ 139,747
210061	Atlantic General Hospital	13.00%	9.93%	1.00%	1.65%	1.55%	1.00%	$ 386,408	$ 635,813	$ 598,622	$ 386,408
210062	MedStar Southern Maryland Hospital Cer	12.74%	12.43%	-0.79%	-0.79%	-0.41%	-0.45%	$ (1,288,167)	$ (1,288,167)	$ (665,425)	$ (742,326)
210048	Howard County General Hospital	12.90%	12.77%	-0.95%	-0.95%	-0.61%	-0.59%	$ (1,595,414)	$ (1,595,414)	$ (1,023,340)	$ (984,334)
210063	University of Maryland St. Joseph Medica	12.67%	11.37%	0.11%	0.11%	0.31%	0.28%	$ 238,828	$ 238,828	$ 679,345	$ 598,552
210035	University of Maryland Charles Regional	12.93%	11.68%	0.04%	0.42%	0.20%	0.22%	$ 32,241	$ 323,526	$ 154,628	$ 168,903
210033	Carroll Hospital Center	12.94%	12.56%	-0.73%	-0.48%	-0.45%	-0.41%	$ (1,010,893)	$ (657,533)	$ (616,457)	$ (563,606)
210058	University of Maryland Rehabilitation & (	12.73%	13.79%	-2.03%	-1.97%	-1.37%	-1.46%	$ (1,400,111)	$ (1,361,629)	$ (949,417)	$ (1,009,240)
210023	Anne Arundel Medical Center	12.97%	12.22%	-0.40%	0.03%	-0.18%	-0.14%	$ (1,253,809)	$ 82,084	$ (569,867)	$ (439,794)
210027	Western Maryland Health System	13.14%	12.82%	-0.79%	-0.77%	-0.59%	-0.45%	$ (1,455,663)	$ (1,425,406)	$ (1,092,410)	$ (838,746)
210060	Fort Washington Medical Center	13.87%	11.69%	0.74%	0.74%	0.69%	0.79%	$ 131,122	$ 131,122	$ 123,193	$ 139,840
210018	MedStar Montgomery Medical Center	13.44%	12.44%	-0.21%	-0.21%	-0.20%	0.01%	$ (187,346)	$ (187,346)	$ (173,553)	$ 11,508
210051	Doctors Community Hospital	13.89%	12.96%	-0.30%	-0.30%	-0.53%	-0.06%	$ (407,821)	$ (407,821)	$ (726,740)	$ (76,966)
210045	McCready Foundation	13.03%	9.40%	1.00%	2.13%	1.97%	1.00%	$ 37,346	$ 79,667	$ 73,698	$ 37,346
210028	MedStar St. Mary's Hospital	13.40%	11.74%	0.35%	0.35%	0.37%	0.48%	$ 246,762	$ 246,762	$ 258,923	$ 330,583
210034	MedStar Harbor Hospital	13.94%	13.88%	-1.02%	-0.21%	-1.02%	-0.64%	$ (1,264,193)	$ (255,342)	$ (1,264,193)	$ (796,116)
210015	MedStar Franklin Square Medical Center	14.03%	12.88%	-0.13%	0.35%	-0.13%	0.08%	$ (362,295)	$ 992,407	$ (362,295)	$ 239,426
210030	University of Maryland Shore Medical Ce	14.75%	12.30%	0.84%	1.37%	0.84%	0.87%	$ 247,173	$ 403,997	$ 247,173	$ 255,957
210011	Saint Agnes Hospital	14.90%	13.48%	0.03%	0.03%	0.03%	0.21%	$ 63,271	$ 63,271	$ 63,271	$ 498,401
210055	Laurel Regional Hospital	14.89%	14.33%	-0.64%	0.46%	-0.64%	-0.33%	$ (493,437)	$ 356,692	$ (493,437)	$ (256,342)
210012	Sinai Hospital of Baltimore	15.14%	13.25%	0.37%	0.37%	0.37%	0.48%	$ 1,570,355	$ 1,570,355	$ 1,570,355	$ 2,078,989
210056	MedStar Good Samaritan Hospital	15.15%	13.31%	0.33%	0.55%	0.33%	0.45%	$ 591,481	$ 988,322	$ 591,481	$ 818,982
210043	University of Maryland Baltimore Washir	15.26%	13.87%	-0.02%	-0.02%	-0.02%	0.17%	$ (49,048)	$ (49,048)	$ (49,048)	$ 377,233
210002	University of Maryland Medical Center	15.28%	13.95%	-0.07%	0.19%	-0.07%	0.13%	$ (591,595)	$ 1,624,620	$ (591,595)	$ 1,133,644
210009	The Johns Hopkins Hospital & Health Syst	15.44%	14.41%	-0.30%	-0.30%	-0.30%	-0.06%	$ (3,905,798)	$ (3,905,798)	$ (3,905,798)	$ (759,825)
210024	MedStar Union Memorial Hospital	15.24%	12.77%	0.79%	0.79%	0.79%	0.83%	$ 1,925,368	$ 1,925,368	$ 1,925,368	$ 2,018,767
210008	Mercy Medical Center	15.57%	12.96%	0.86%	0.86%	0.86%	0.88%	$ 2,000,116	$ 2,000,116	$ 2,000,116	$ 2,062,083
210040	Northwest Hospital Center	16.03%	13.15%	1.00%	1.42%	1.00%	1.00%	$ 1,416,362	$ 2,019,807	$ 1,416,362	$ 1,417,391
210029	Johns Hopkins Bayview Medical Center	16.32%	14.84%	-0.03%	-0.03%	-0.03%	0.17%	$ (94,782)	$ (94,782)	$ (94,782)	$ 589,097
210038	University of Maryland Medical Center M	17.71%	16.27%	-0.13%	-0.13%	-0.13%	0.08%	$ (179,768)	$ (179,768)	$ (179,768)	$ 103,904
210013	Bon Secours Baltimore Health System	20.43%	15.95%	1.00%	1.45%	1.45%	1.00%	$ 782,128	$ 1,135,302	$ 1,135,302	$ 782,128
						Rewards		$ 10,080,088	$ 15,527,114	$ 11,792,745	$ 14,788,768
						Penalties		$(38,288,636)	$ (30,080,524)	$ (19,664,950)	$(17,191,725)
						Net Adjustment		$(28,208,548)	$ (14,553,410)	$ (7,872,205)	$ (2,402,957)
						Percent of total revenue		-0.19%	-0.10%	-0.05%	-0.02%