Discussion Document of Selected Transition Policies for Maryland All-Payer Model Educational Materials

October 16, 2013

Maryland Health Services Cost Review Commission

Agenda

I. Transitional policies for 1/1
- Monitoring revenue growth limits
- Transitional reimbursement models
- Modification to Variable Cost Factor
- Volume Governor
- Overage Policy
- Enhanced Monitoring and Disclosures
- Uncompensated care/ACA impact

Policy Drafts

- HSCRC staff will be introducing policy drafts for comment and Commissioner consideration
- Policies are not effective until approved by the Commissioners
- Policy will be released for public comment at upcoming HSCRC meeting with draft circulated in advance through MHA/payers, others

Revenue growth limits

- Monitor 3.58% Per Capita All Payer Limit
  - Gross revenue for Maryland residents in Maryland Hospitals- All Payer Regulated
    - Base year of calendar year 2013
    - From historic FS data to be submitted November 15 (breaks out in state and out of state by month)
  - Population Growth from Department of State Planning
  - Limit = Base Revenue for Maryland residents in Maryland Hospitals X 1.0358 (Growth Limit) X ~1.006 (Population Growth)
  - Use first 6 months of CY 13 (as adjusted) to monitor and change based on final CY 13 actual results as necessary

Approach for January 1- Transitional Hospital Revenue Model Modifications

- Approaches in place effective January 1 that assure hospital revenues within the maximum requirements for 2014
- Use existing frameworks with some modifications to allow for transitional changes effective January 1
  - Modified global budget framework used in Total Patient Revenue agreements with fixed total allowed revenue

    OR

  - Existing charge-per-episode structure with lower variable cost factor applied prospectively, and a volume governor(s) to reduce allowed revenue if maximum revenue targets are exceeded
- Add incentives/requirements for reducing avoidable volumes no later than July 1
- Revenue for non-Maryland residents have regulated rates and performance requirements but excluded from maximum calculations and volume policies

Transitional Variable Cost Factor Modifications

<u>Proposed Policy Effective 1/1/2014</u>

- Policy-Transition from Volume to Value, Revenue within Limit
- Reduce from 85% variable to 50% variable
- Concurrent volume adjustment—in effect for current fiscal year—need to adjust charges in current year
  - Change from current approach that adjusts volume in subsequent year
- HSCRC staff (Jerry, Ellen, Dennis) working with on price compliance strategy and corridors

<u>Proposed Policy Exceptions</u>

- New Germantown Hospital not subject to policy for reasonable period of time (to open in fall 2014)
- Out-of-state volume considerations

Volume Governor

- Assures that the limits of HSCRC policy and the All-Payer model are not exceeded
- Similar to case mix governor
- Applied to CPC/CPE hospitals only for Maryland residents
- Make midcourse adjustment if necessary

- Proposed volume governor for 1/1/14-6/30/14
  - Level I--Case mix governor of .5%
  - Level II--Total volume governor (incl. .5% case mix) at ~2% to 2.5%, (annual) depending on population growth areas in CPC
  - Once volumes reach 2%-2.5%, increase, scaled back proportionately
  - Effectively limits revenue for volume increase overall to 1% to 1.25%

Overage

- Unforseen
- Make midcourse adjustment if necessary
- If occurs, prorate over hospital's revenues as prospective adjustment.

Uncompensated Care/ACA Impact

- Adjustment on July 1, 2014 for estimated impact of Medicaid enrollment on uncompensated care
- Call for white papers/analysis
  - UCC formula needs to be reformulated
  - Predictive factors appear to be changing—Medicaid as predictor may be weakened
  - Three year average an issue
  - Concentrations of immigrant populations not eligible for Medicaid or exchange subsidies to be addressed
- Monitoring of exchange enrollment
  - Need time to assess impact on bad debts, both positive and negative factors
- Evaluate volume increases from expansion, if any

Enhanced monitoring and disclosure

- Monthly monitoring of price and volume variance
  - Vs prior year
  - Vs approved budget (spread across year)
  - Monitoring and reporting of readmission progress, interhospital and intrahospital
  - Closer monitoring of MHACs
- Refocus disclosures in public meetings on:
  - Total cost of care
  - Hospital-specific, regional reporting
- More interaction with HSCRC staff on variances and financial progress

Comments on Policies

- Will release policy draft early next week
- Focus on providing comments as quickly as possible through MHA. HSCRC has open process for comments through email to dennis.phelps@maryland.gov.
- Policies through July 1 or until changed
- Work Groups after January 1
- Call for white papers

Call for White Papers/Technical Analysis

1. Service area/Market share
2. Attribution
3. Potentially Avoidable Volumes
4. Variable Cost Factor
5. Physician Shared Savings Models/ P4P with Hospital
6. Efficiency Measurement
7. Payment for Quality
8. Payment Models for Population based/global approaches
9. Uncompensated Care Models

QUESTIONS? COMMENTS