



# Health Services Cost Review Commission COVID-19 Action Plan Overview

House Government & Operations Committee Briefing  
June 9, 2020



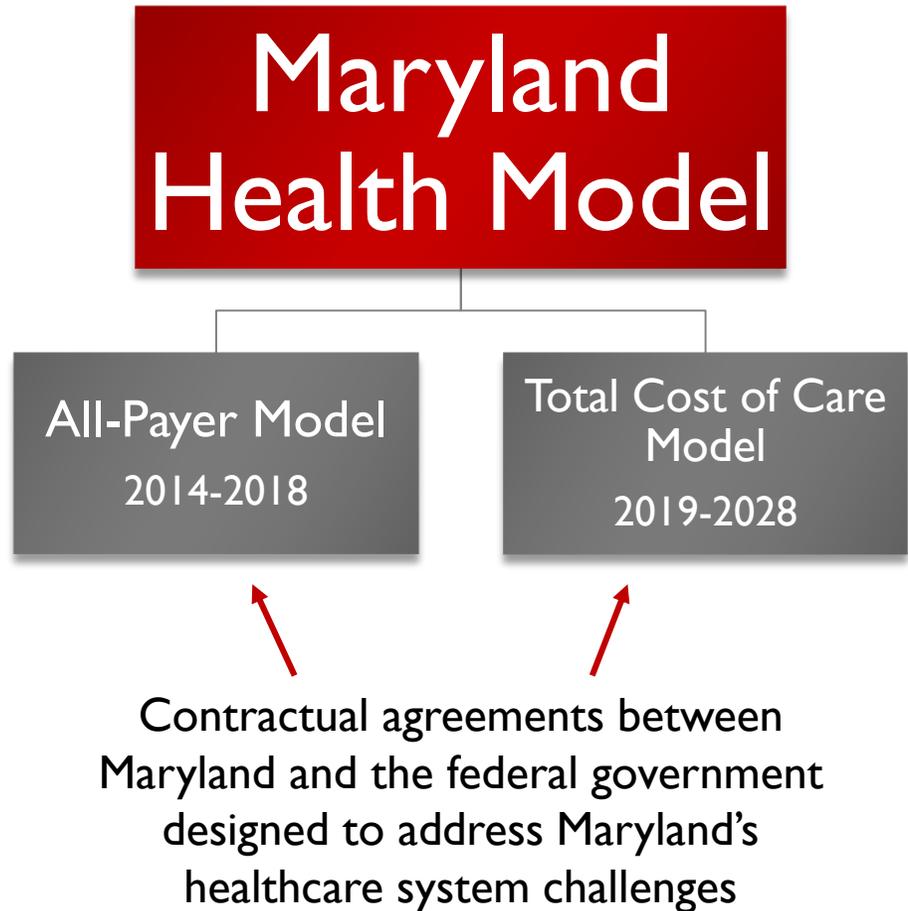
# Overview

---

- ▶ Key Protections in Maryland Model
- ▶ HSCRC Action Plan
  - ▶ Align with Federal Partners
  - ▶ Address Regulatory & Policy Barriers
  - ▶ Ensure Hospital Financial Stability
  - ▶ Support State Capacity Planning
- ▶ Looking ahead
  - ▶ Impact on the Model
  - ▶ Planning for future pandemics

# Maryland's Unique Healthcare System

---



## ▶ Maryland's approach:

- ▶ Enables cost containment for the public
- ▶ Improves quality through care redesign
- ▶ Avoids cost shifting across payers
- ▶ Provides equitable funding of uncompensated care
- ▶ Supports state-designated health information exchange (CRISP)
- ▶ Funds investments in population health
- ▶ **Creates a stable and predictable system for hospitals**
- ▶ Makes Maryland a leader in linking quality and payment

# Key Advantages to Maryland Health Model

---

- ▶ **The Total Cost of Care Model provides essential protections and assurance to Maryland hospitals that is not available in other states where hospitals work on a FFS basis**
  - ▶ Maryland’s “Global Budget Revenue” (GBR) system is based on population, rather than volume and provides hospitals additional financial stability, especially during times of volume volatility
  - ▶ A proactive, State-based response is not dependent on federal action
  - ▶ State granted additional limited “corridor capacity” to address volume trough and preparations for COVID-19 treatment (balancing hospital pricing vs. consumer affordability)
  
- ▶ **Protections exist for hospital regulated revenues, but not for unregulated revenues**
  - ▶ Financial picture, Maryland hospitals Fiscal 2019
    - ▶ Net operating revenue for regulated services totaled \$15 billion (with a profit of \$1.2 billion)
    - ▶ Net operating revenue for unregulated services totaled \$1.8 billion (with a profit loss of \$0.86 billion)
  - ▶ GBR provides stability for hospital regulated services, but does not protect unregulated services
  - ▶ Nationally, hospitals have lost on average 40-60 percent of volumes (inpatient and outpatient) since March. FFS hospitals outside of Maryland lose that revenue.
  - ▶ In Maryland, regulatory protections allow hospitals under GBR to recoup the majority of the regulated revenue, through flexible charging corridors and rolling over “undercharges” not charged in the current fiscal year.

---



# HSCRC Action Plan



## COVID-19: Overview of HSCRC Action Plan

---

- ▶ As Maryland responds to the crisis and change of health care delivery associated with individuals affected by COVID-19, HSCRC staff have developed an action plan to ensure hospitals have the funding needed to combat the virus during the trough, surge, and post-surge phases.



# 1. Align with Federal Partners

---

- ▶ HSCRC is working closely with federal partners to ensure Maryland hospitals have access to federal relief aid to combat COVID-19 and to assure compliance with the Total Cost of Care Contract.

## Congress

- Worked with Maryland's federal delegation to secure an amendment to the CARES Act to ensure Maryland and its hospitals would be eligible for relief funding
- Monitor federal relief legislation to ensure that Maryland has access to any future federal aid

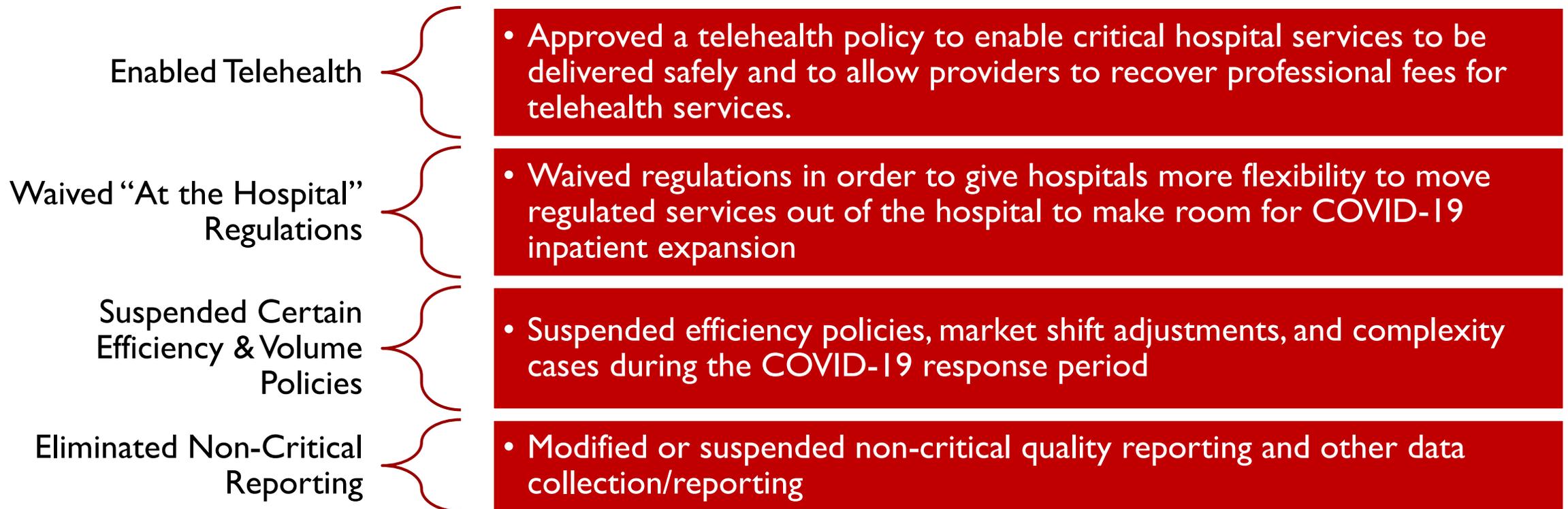
## CMS

- Work to assure fidelity to the TCOC Model, goals, and targets, both financial and quality/population health goals
- Received Maryland-specific data waivers allowing hospitals to align with federal reporting requirements during the emergency period
- Communicate regularly with CMMI team on any additional considerations needed under our TCOC Contract to address the unique challenges posed by COVID-19

## 2. Address Regulatory & Policy Barriers

---

- ▶ HSCRC has modified/suspended policies and established new mechanisms to aid hospitals in preparing for the potential increase in patients affected by COVID-19.



### 3. Ensure Hospital Financial Stability

---

- ▶ HSCRC is working to establish policies, modify rate setting methodologies, and identify all available funding to support hospitals during the COVID-19 pandemic.

Capacity Expansion	Volume Trough	Volume Surge
<ul style="list-style-type: none"><li>• <b>Issue:</b> Early modeling indicated a need for additional hospital capacity and potential future surge</li><li>• <b>HSCRC Solution:</b><ul style="list-style-type: none"><li>• GBR modifications</li></ul></li><li>• <b>Other Solutions:</b><ul style="list-style-type: none"><li>• CARES Act Funding<ul style="list-style-type: none"><li>• Provider Relief Fund</li><li>• FEMA funding</li></ul></li></ul></li></ul>	<ul style="list-style-type: none"><li>• <b>Issue:</b> Hospitals' liquidity is negatively affected due to low patient volumes associated with social distancing &amp; cancellation of elective procedures</li><li>• <b>HSCRC Solutions:</b><ul style="list-style-type: none"><li>• Expanded Corridor Relief</li><li>• Suspended Undercharge Penalties and allowance to recoup FY 20 undercharge in future fiscal years</li></ul></li><li>• <b>Other Solution:</b><ul style="list-style-type: none"><li>• Payer-Sponsored Advance Working Capital Programs</li></ul></li></ul>	<ul style="list-style-type: none"><li>• <b>Issue:</b> Plan action to address the surge in hospitalizations if patient volume levels exceed hospital GBRs</li><li>• <b>HSCRC Solution:</b><ul style="list-style-type: none"><li>• COVID-19 Surge Policy</li><li>• Recognition of additional costs associated with inpatient treatment of COVID-19 cases</li></ul></li></ul>
Stage 1		Stage 2

## 4. Support State Planning

---

### ▶ State Surge Activation Planning Team

- ▶ Active in the State efforts to plan for and address the effects of COVID-19

### ▶ Identification of Racial and Ethnic Health Disparities related to COVID-19

- ▶ Ongoing assistance to the MDH Office of Minority Health and Health Disparities to identify health disparities through data analytics

### ▶ Physician Support

- ▶ Encouraged hospitals to partner with and support physician practices
- ▶ Advocated successfully for working capital advance programs for physician from private payers

### ▶ Long-Term Care/Congregate Living Facilities

- ▶ Gave hospitals flexibility to reduce rates in order to accommodate the influx of patients from long-term care settings that require varying levels of care
- ▶ Allocated grant funding to support hospital partnerships with long-term care facilities and congregate living facilities that serve vulnerable populations to address patients affected by COVID-19 (grant to begin FY 21)

## Next Steps

---

- ▶ **Total Cost of Care Contract Performance Monitoring**
  - ▶ COVID-19 could impact Maryland's financial and quality performance by negating annual savings achieved to-date and creating a lasting negative impact on population health and chronic disease management
- ▶ **Additional Considerations**
  - ▶ How much federal funding is available to Maryland hospitals?
  - ▶ What will happen with volume? Will patients return for deferred care? Or, will volume continue to trend downward?
  - ▶ How do we identify excess capacity? Can that be used for future surge capacity?
  - ▶ How do we maintain successes? (e.g., telehealth)
- ▶ **Pandemic Response: Future Planning**
  - ▶ Systematic evaluation is needed to best utilize hospital capacity to respond to future pandemics
    - ▶ Clinical personnel, physical space, and equipment will all be important to make sure hospitals are prepared for any future surge
    - ▶ Ongoing treatment of healthcare needs is essential even if another surge or pandemic presents, so that underlying health conditions are not ignored or worsen
  - ▶ Must have an approach that provides for future surge readiness while minimizing cost implications for consumers

# Thank you!

---

Adam Kane, Esq  
Chairman

Katie Wunderlich  
Executive Director

[Katie.wunderlich@maryland.gov](mailto:Katie.wunderlich@maryland.gov)

Tequila Terry, Deputy Director  
Deputy Director

[Tequila.terry1@maryland.gov](mailto:Tequila.terry1@maryland.gov)

