Maryland's All-Payer Hospital Model

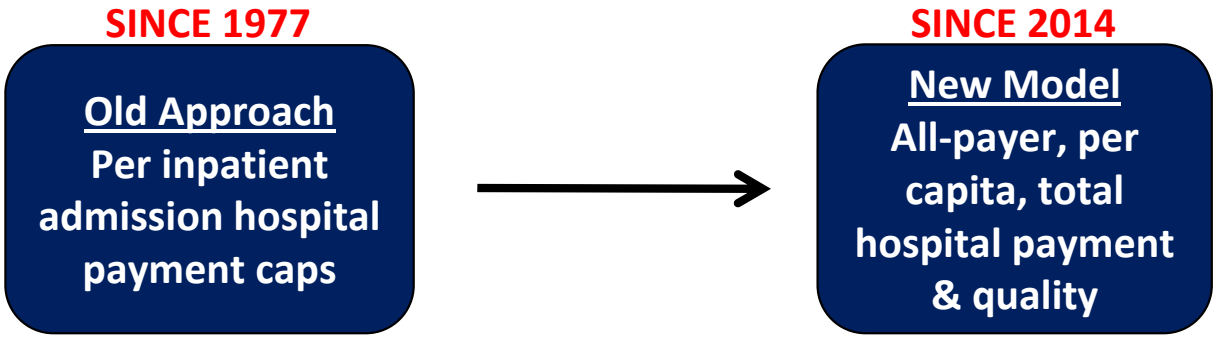
Overview Presentation to National ACO, Bundled Payment, and MACRA Summit

June 7, 2018

MARYLAND Department of Health

Brief History: Maryland's All-Payer Hospital Model

- Health Services Cost Review Commission (HSCRC) establishes hospital rates for all payers, including Medicare
  - Each hospital has unique rates
  - Payers pay the same for each service (discounts of 6% to Medicare and Medicaid), no cross subsidies
  - Payers share in funding uncompensated care, medical education, etc.
  - In per capita model, hospitals still bill for individual services



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Current Hospital Model Features (2014-2018)

- Per capita, value-based payment framework
- All payer per capita growth ceiling
- Savings of at least $330 million to Medicare
- Quality and care improvement requirements (Readmissions, HACs)
- Payment transformation to global revenue caps
- Progress to total spending model for Medicare -2019

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Model Shifts Focus from Rates to Revenues

Former Model:

Volume Driven

Units/Cases

× **Rate Per Unit or Case**

↓

Hospital Revenue

- Unknown at the beginning of year
- More units creates more revenue

New Model:

Population and Value Driven

Revenue Base Year

× **Updates for Trend, Population, Value**

↓

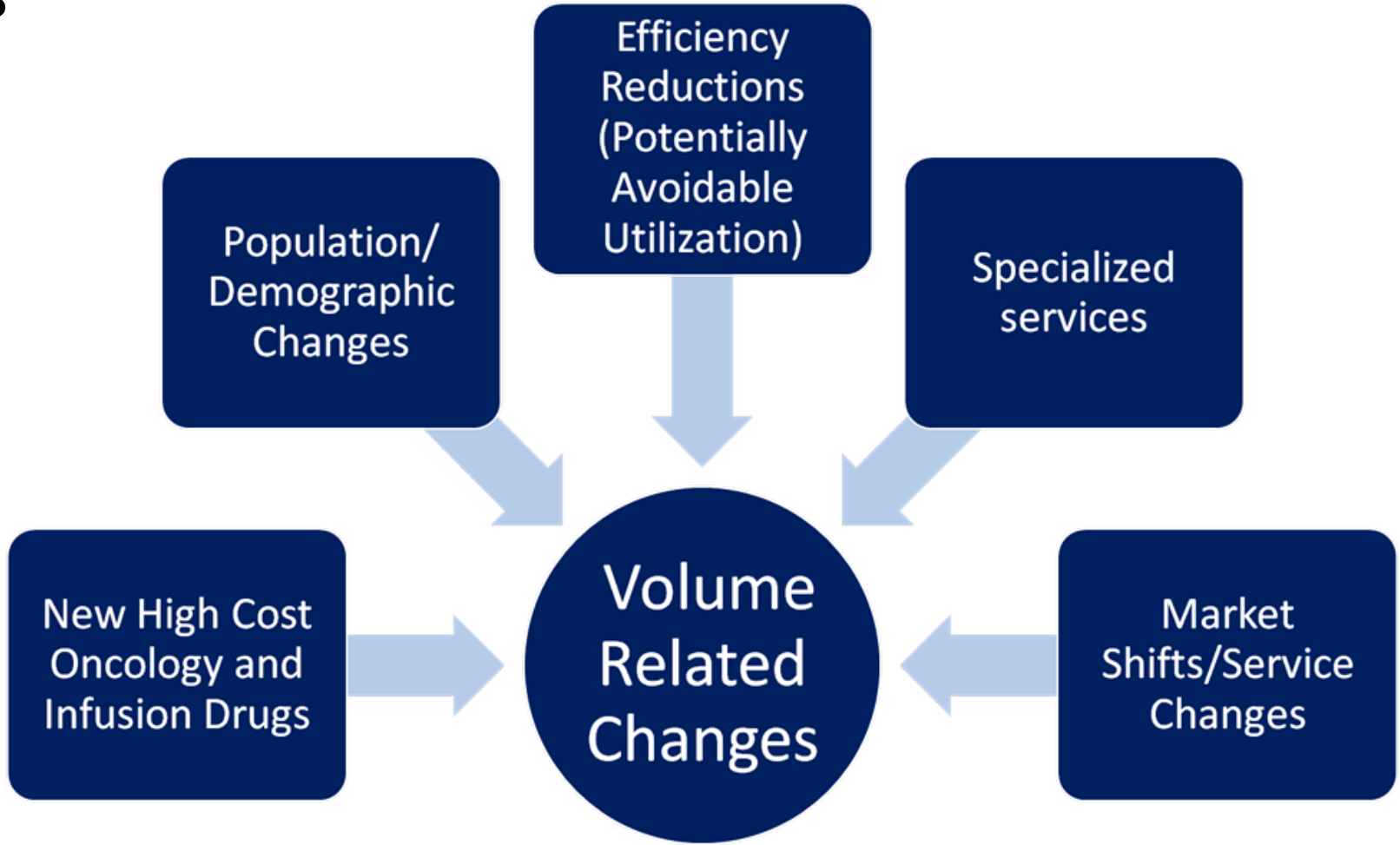
Allowed Revenue for Target Year

- Known at the beginning of year
- More units does not create more revenue

Key Aspects of Hospital Global Revenue Caps

- Fixed revenue base for 12-month period (limited exceptions)
- Annual update factor (inflation)
- Quality/value based adjustments (detailed all-payer adjustments similar to CMS quality adjustments)
- Annual adjustments for selected volume factors (see following chart)

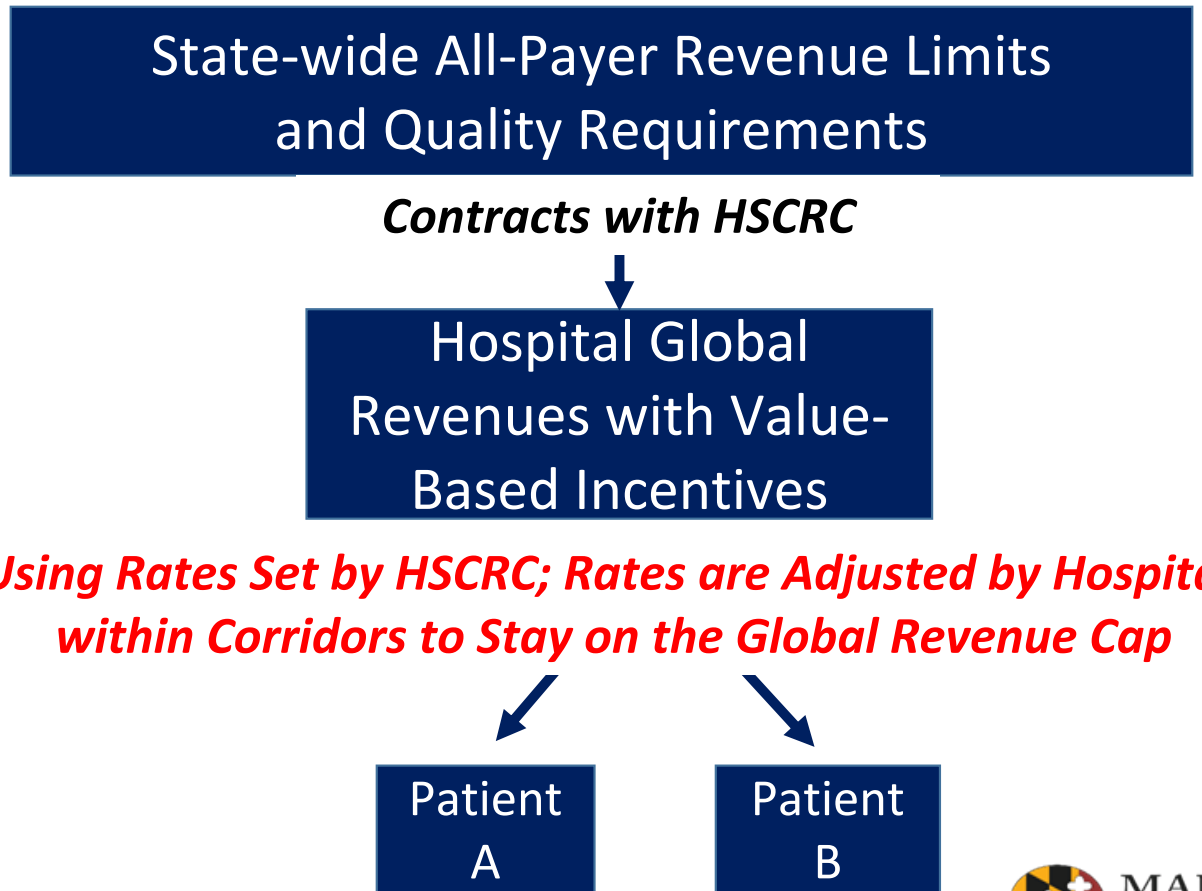
Volume-Related Changes in Global Revenue Caps



Data Intensive Detail Used for Adjustments Demographic Adjustment Example:

- Zip codes are allocated to hospitals based on prior use to form a virtual patient service area for each hospital
- Age-adjusted weights are multiplied by population changes in each age cohort to derive demographic change and allocated back to the hospital at the zip-code level
- The demographic adjustment is not applied to the portion of the hospitals budget that is for “avoidable use”
- The demographic adjustment is scaled to the overall growth in the population, exclusive of aging
- Methodologies are adjusted based on experience—e.g. currently considering medical versus surgical growth equity under the demographic adjustment

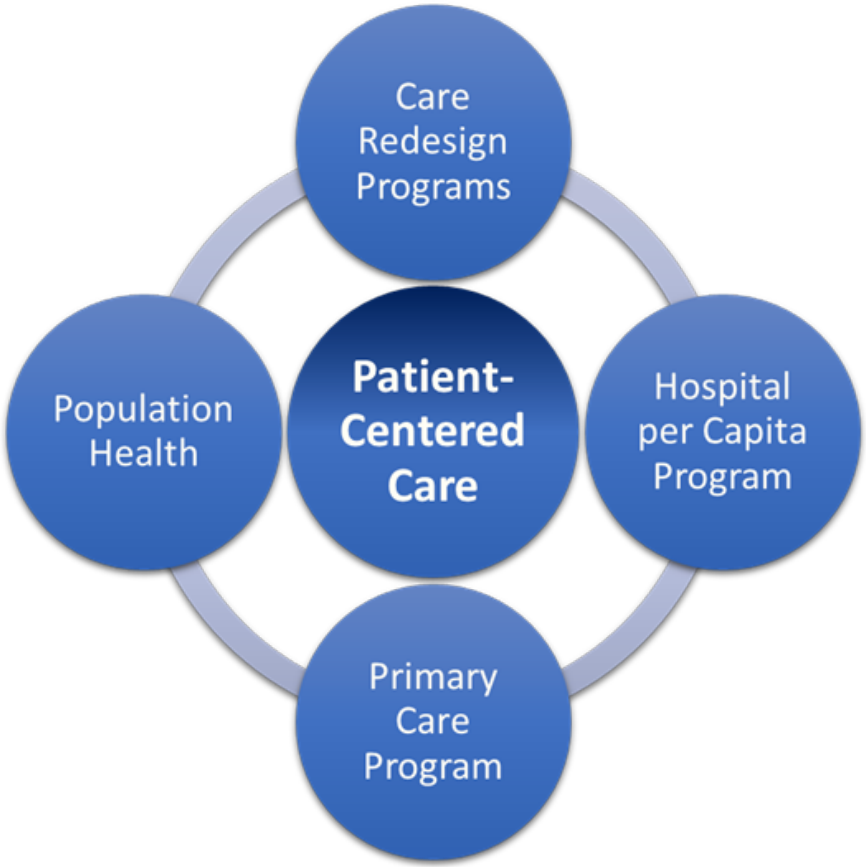
Context– Hospital Financing System



Progress: Maryland's Current Hospital Model Contract

Performance Measures	Targets	2014-2017 Results	On Target
All-Payer Per Capita Revenue Growth	**≤ 3.58% annually**	**2.03% average**	✓
Medicare Savings in Hospital Expenditures	**≥ $330M over 5 years** (below national growth)	**$916M cumulative** (5.63% lower)	✓
Medicare Savings in Total Cost of Care	**Lower than the national growth rate**	**$599M cumulative** (1.36% lower growth)	✓
All-Payer HAC reduction	**30% over 5 years**	**53%** Reduction since 2013	✓
Readmissions Reductions for Medicare	**≤ National average over five years**	**Less than national average in 4 years**	✓

Next: Federal Government Approves New Total Cost of Care Contract for Maryland



- Starts January 1, 2019
- Limits growth in **total expenditures** per capita for Medicare
- Moves beyond hospitals to **enable** voluntary **private sector led programs** supported by **state flexibility**
- Initiates voluntary **primary care program** to enhance chronic care and health management.
- Public and private sector efforts to address population health issues, including **opioid use, diabetes**, and other chronic conditions