Maryland Hospital Association Update

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Maryland Hospital Association

Maryland All-Payer Model (Waiver)

- All-payer system
  - All pay the same price for same service in each hospital (Medicare, Medicaid, self-pay and commercial)
- Rate setting system
  - Health Service Cost Review Commission (HSCRC) sets hospital rates
- Federal Medicare payment rules had to be “waived”
- Brings $2.8 billion per year to Maryland
- Hospitals shift to global budgets
- Entered into new agreement with CMS in 2014; We are in year four of the five-year agreement
- Next phase focused on “Total Cost of Care”

Requirements

- Three financial metrics:
  - Annual hospital spending cap – 3.58% per capita
  - Medicare savings target - $330 million over five years
  - Growth in Maryland spending (hospital and non-hospital spending) cannot exceed the nation
- Two quality metrics
  - Reduce 30-day readmissions to at least national average
  - Reduce complications by 30% in five years
- Five-year demonstration (2014 – 2018)

Maryland Waiver Performance Dashboard

Cumulative Performance – Jan 2014 to Most Recent Data Available

- All provider spending growth is limited to 1 percent above the nation in a single year, and cannot rise above the national growth rate for two consecutive years. In 2016, Maryland was lower than the nation by 0.77 percent which means hospitals can be above the national growth rate by up to 1 percent in 2017 without causing a triggering event
- Data contain summaries provided by the federal government that have been prepared for Maryland, but are not official federal data. Data are preliminary and contain lags in claims. There may be material differences in results when final data are received.

Next Phase: Enhanced Total Cost of Care Model

- As part of the five year demonstration, Maryland must apply for a new Model, focusing on controlling total – hospital and non-hospital - spending per Medicare beneficiary
- Beginning in summer 2017, the State of Maryland – HSCRC and Maryland Department of Health – began working with the Center for Medicare & Medicaid Innovation (CMMI) on a term sheet for a new agreement
- Term sheet submitted in fall 2017 and is in the clearance process within the federal government
- New model runs through CY2023, and then through at least CY2028 provided we are meeting targets

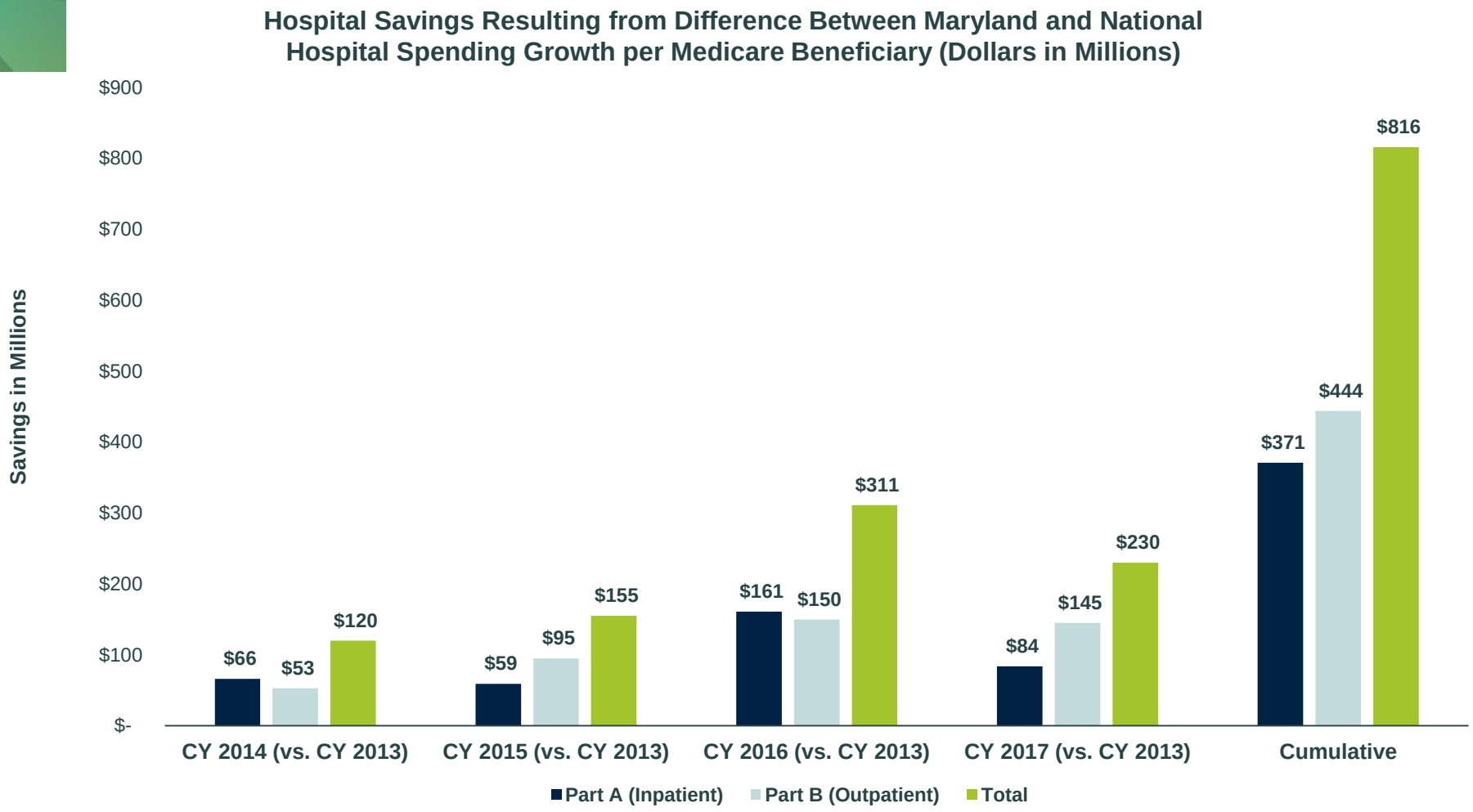
Next Phase: Enhanced Total Cost of Care Model

- The next phase is the “Enhanced Total Cost of Care Model
- $300 million in ***annual*** total cost of care savings by 2023
- Aggressive and progressive quality based payment targets
- Future population health measures
- Specific activities to drive success:
  - Development of Maryland Primary Care Program to align physician payment incentives
  - Medicare Performance Adjustment (MPA) to drive total spending per beneficiary accountability to individual hospitals

Annual Savings Target

- Enhanced model target is $300 million of ***annual*** savings on total spending per beneficiary
  - Everything except Medicare Advantage (Part C) and prescription drugs (Part D)
- Annual total spending per beneficiary savings projected to be $129 million at the end of CY2017
- Current hospital target is cumulative: Year 1 + Year 2, etc.
  - Savings can “build” over time (see next page)

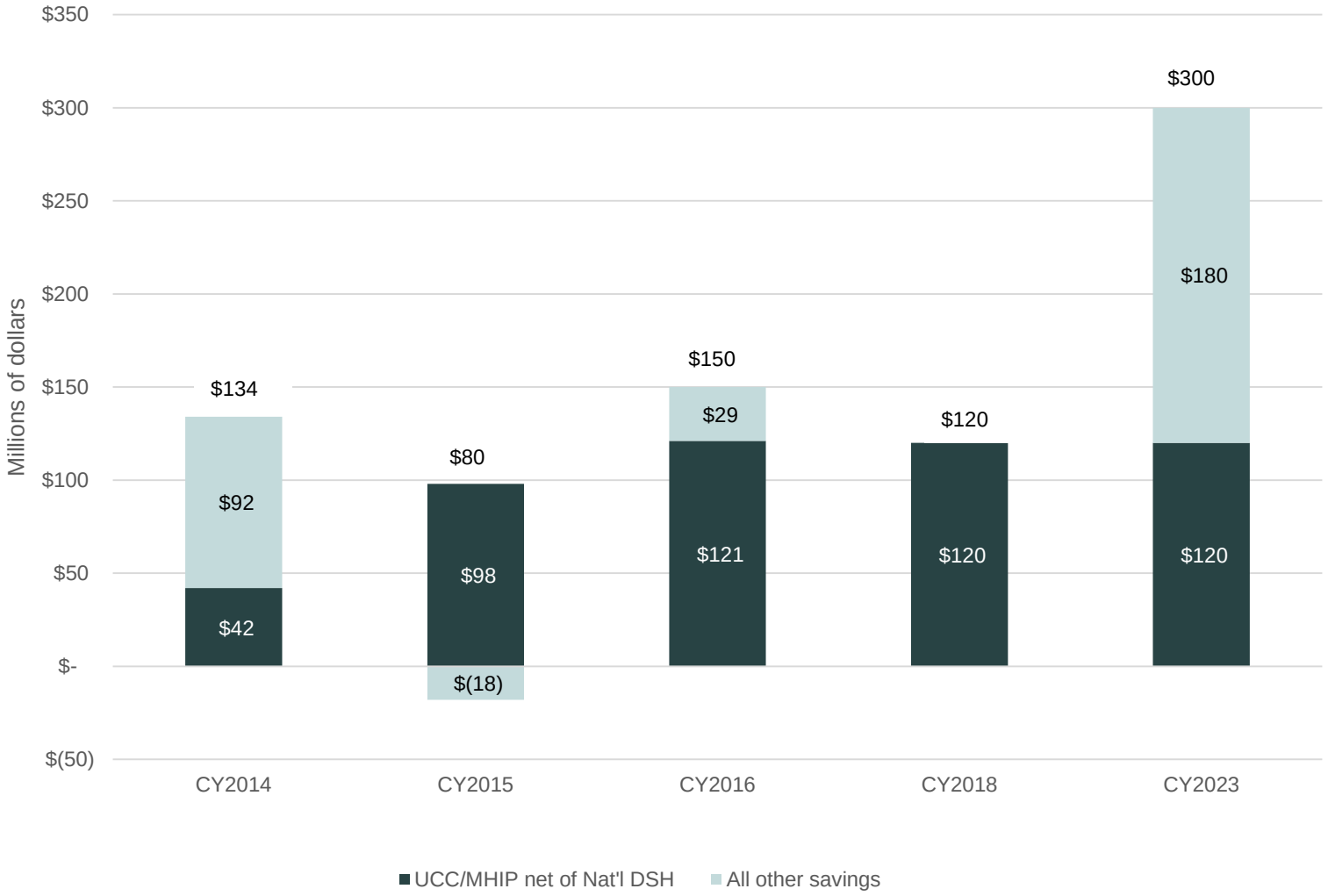
Medicare Hospital Spending Growth per Beneficiary



Source: CMS data, see disclaimer
Note: All years reflect Medicare's use of beneficiary counts from the common environment.

Medicare Hospital and Non-Hospital Savings

Medicare Total Cost of Care Savings



Quality Measures

- Quality measures have to reflect “aggressive and progressive” targets
- Likely includes:
  - Continued/improved performance on readmission measures
  - Improved performance on national complication measures – national health safety measures, hospital acquired conditions (HACs), etc.
  - Improved HCAPHS scores

Population Health

- Enhanced model moves toward measuring "true" population health improvements
- Includes goals to:
  - Reduce deaths from opioid abuse
  - Improve chronic condition prevention; reduce incidence and/or prevalence of obesity, diabetes, hypertension
  - Improve control of diabetes and hypertension
- These are long term goals to be measured each year

Enhanced Model at a Glance

Hospital-Focused	→	All provider, person-centered Focus
Hospital savings	→	Total cost of care
Hospital quality metrics	→	Quality and Population health metrics
Acceleration of prevention/chronic care Mgmt.	→	Maryland Comprehensive Primary Care Program (MDPCP)
Hospital alignment	→	Physician alignment via MACRA-eligible programs, post-acute alignment, and Medicare Performance Adjustment

Current Model Extension

- HSCRC, MDH and CMMI are also exploring a "one year" extension of the current model
  - Not yet approved by CMS
- This ***could*** extend the current model until the end of CY2019; authority may not be needed if Enhanced Total Cost of Care Model is approved

Enhanced Model at a Glance

Current Model	Enhanced Model
• All-payer hospital revenue annual growth cap of 3.58 percent per capita	• Same
• Medicare hospital savings-cumulative savings of $330 million over five years	• Medicare Total Cost of Care (TCOC) savings of at least $300 million by end of 2023, relative to 2013 base year
• Targeted reduction in hospital-acquired infections (MHAC) & hospital readmissions	• Expanded focus on population health metrics; opportunity to revise MHAC program
• Physician alignment through participation in care redesign programs	• Enhanced physician alignment through Maryland Comprehensive Primary Care Program (MDPCP) & use of Medicare performance adjustment (MPA) to have all-payer model qualify as an Advanced Alternative Payment Model (AAPM) for MACRA bonus purposes
• Medicare TCOC guardrail managed through adjustment to all-payer rates	• Medicare TCOC savings requirement managed through MPA, with amount of adjustment dependent on size of Medicare TCOC savings variance. Savings shortfall may also be managed through adjustment to all-payer rate updates
• Ends 12/31/2018; **Possible extension through 12/31/2019 (if needed)**	• Runs at least through 12/31/28, as long as savings are on target, with an opportunity to make the model permanent after that

Enhanced Model at a Glance (cont.)

Current Model	Enhanced Model
• Use of global budgets	• Use of global budgets & other population-based models, such as ACOs
• Care redesign waivers for physician gain-sharing	• Application for additional waivers, including three-day SNF rule, telehealth, and beneficiary inducements

Enhanced Model Policy Development

- Medicare Performance Adjustment – **accountability for total, Medicare per capita costs**
- Medicare payment savings adjustment
- Supply of health care services to align with the Model
- Policies to implement the Maryland Primary Care Program
- Policies regarding hospital accountability for population health metrics
- Updates to quality programs with “aggressive and progressive” targets
- State/CMS policy on access to patient-identifiable data needed to manage TCOC

Enhanced Model Operational Changes/Challenges

- Building/strengthening provider alignment
- Workforce shortages and workforce development
- Developing capability to utilize data to strategically manage population health
- **Continued cultural change (internal and in the community) of shift from volume to value**
- Cost management strategies, particularly regarding capital structure
- Adequacy of revenues within a capped system

2018 Advocacy Themes

- Maryland's hospitals are committed to providing the highest quality care – care that is **safe**, **efficient** and **accessible** to all Marylanders.

- MHA will work with the governor and legislature to create a health care environment that supports the All-Payer Model. This work cannot be successful without state support to remove **three specific barriers**:
  - The sick tax
  - Out-of-control liability costs
  - A fragmented, ineffective behavioral health care system

Objectives – Sick tax

- Protect the $35 million sick tax reduction for fiscal year 2019
  - **Senate budget includes $30 million reduction; House version includes $25 million**
- Defeat efforts to increase the tax
- Seek opportunities to accelerate the tax reduction

Control Health Care Liability Costs

- Maryland's highly litigious medical malpractice environment increases health care costs. Defensive medical orders account for 13% of all hospital spending; in Maryland, this translates to **$2 billion in unnecessary spending.**

- Maryland ranks **12th** in the nation in per capita medical malpractice payouts. In 2016, Maryland's total medical malpractice payout was **more than $92 million.**

- While non-economic damages are capped, other types of damages, such as all medical expenses, lost wages and past and future income, have no cap.

Objectives – Liability Costs

- Protect the current cap on non-economic damages
  - Opposing legislation to triple the cap on damages
- Continue expanding bipartisan support for a bill to create a No-Fault Birth Injury Fund
  - Obtained additional co-sponsors in this session

Strengthen Maryland's Behavioral Health System

- An estimated **1.5 million Marylanders** suffer from mental health and substance abuse disorders. Unstable funding has hampered the development of a supportive, recovery-oriented statewide system leaving patients in crisis turning to emergency departments (ED).

- ED visits for behavioral health jumped **18 percent from 2013 to 2016**, while all other emergency department visits dropped **8 percent**.

- Over the past 35 years, state psychiatric hospitals have reduced their capacity by 80 percent, **a loss of more than 3,400 beds**. Today acute care hospitals' psychiatric beds operate at **99.7 percent capacity**.

Objectives

- Advocate for policies and budgetary commitments that support the development of a **behavioral health essential treatment system**.
- Advocate for opportunities to **strengthen the behavioral health care workforce** and expand crisis services.
- Expand telehealth services to allow collaborative care models, **remove restrictions** on providers, and continue to advocate for **reimbursement parity**.

Other Issues

- Oncology- Self-Referral
  - Effort by for-profit physician companies to create exceptions to Maryland's strong physician self-referral law protections for oncology and radiation therapy
    - **Bill withdrawn in 2018 session**
- Tax-Exempt Status
  - Block any efforts that would question hospitals' tax-exempt status
- CON
  - Streamlining and modernizing the CON process
  - Rural Health Work Group
- Community Health Workers
  - Develop simple certification process

Thank You!

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