Maryland Health Services Cost Review Commission

New All-Payer Model for Maryland Population-Based and Patient-Centered Payment Systems
November 2014
Approved New All-Payer Model

- Maryland is implementing a new All-Payer Model for hospital payment
  - Updated application submitted to Center for Medicare and Medicaid Innovation in October 2013
  - Approved effective January 1, 2014

- Focus on new approaches to rate regulation

- Moves Maryland
  - From Medicare, inpatient, per admission test
  - To an all payer, total hospital payment per capita test
    - Shifts focus to population health and delivery system redesign
New All-Payer Model for Maryland

- Focus shifts to the patient and improvement of care
- Align payment with new ways of organizing and providing care
- Contain growth in total cost of hospital care in line with requirements
  - Evolve value payments around efficiency, health and outcomes
Approved Model Timeline

- **Phase 1 - 5 Year Hospital Model**
  - Maryland all-payer hospital model
  - Developing in alignment with the broader health care system

- **Phase 2 – Total Cost of Care Model**
  - Phase 1 efforts will come together in a Phase 2 proposal
  - To be submitted in Phase 1, End of Year 3
  - Implementation beyond Year 5 will further advance the three-part aim
Approved Model at a Glance

- **All-Payer total hospital per capita revenue growth ceiling** for Maryland residents tied to long term state economic growth (GSP) per capita
  - 3.58% annual growth rate

- **Medicare payment savings** for Maryland beneficiaries compared to dynamic national trend. Minimum of $330 million in savings

- **Patient and population centered-measures** and targets to promote population health improvement
  - Medicare readmission reductions to national average
  - 30% reduction in preventable conditions under Maryland’s Hospital Acquired Condition program (MHAC) over a 5 year period
  - Quality revenue at risk to equal or exceed national Medicare programs
Focus Shifts from Rates to Revenues

Old Model
Volume Driven

- Units/Cases
- Rate Per Unit or Case
- Hospital Revenue

Unknown at the beginning of year. More units/more revenue

New Model
Population and Value Driven

- Revenue Base Year
- Updates for Trend, Population, Value
- Allowed Revenue Target Year

Known at the beginning of year. More units does not create more revenue
Opportunities for Success Under the New All-Payer Model
Opportunities for Success

Model Opportunities

- Global revenue budgets providing stable model for transition and reinvestment
- Lower use—reduce avoidable utilization with effective care management and quality improvement
- Focus on reducing Medicare cost
- Integrate population health approaches
- Control total cost of care
- Rethink the business model/capacity and innovate
- Align with physicians and other providers

Delivery System Objectives

- Improved care and value for patients
- Sustainable delivery system for efficient and effective hospitals
- Alignment with physician delivery and payment model changes
Reduce Avoidable Utilization By Improving Care

- Examples:
  - 30- Day Readmissions/Rehospitalizations
  - Preventable Admissions (based on AHRQ Prevention Quality Indicators)
  - Nursing home residents—Reduce conditions leading to admissions and readmissions
  - Maryland Hospital Acquired Conditions (potentially preventable complications)
  - Improved care coordination: particular focus on high needs/frequent users, involvement of social services
Community Benefits

- The IRS requires non-profit hospitals nationally to report on their expenditures, community health needs assessments, and how community benefits programs are organized. The HSCRC receives a very similar report and makes it available to the public.

- FY 2013 was the first year that all hospitals were required to conduct a community health needs assessment.

- HSCRC Report requirements encourage collaboration with community stakeholders and other hospitals.

- FY 2013 net hospital CB expenditure was 712.4 million or 5.2% of total operating expenses.
Public Engagement Process – Phase 2

Advisory Council

Payment Models

Multi Agency and Stakeholder Activities

Alignment Models

Consumer Engagement / Outreach and Education

Care Coordination Initiatives and Infrastructure

HSCRC

Performance Measurement

Ad Hoc Subgroups

Transfers

Medicaid Assessment

GBR Rev/Budget Corridor

GBR Infrastructure Investment Rpt

Market Share

Total Cost of Care

Monitoring

Efficiency

Physician Alignment

LTC/Post Acute

Communications and Community Outreach