New All-Payer Model for Maryland
Population-Based and Patient-Centered
Payment and Care

Maryland Health Services Cost Review Commission
December 2014
Focus and Opportunities of New Model
Approved New All-Payer Model

- Maryland is implementing a new All-Payer Model for hospital payment
  - New Model contract approved by CMS/CMMI effective January 1, 2014
  - Modernizes Medicare waiver in place since 1977 and maintains benefits
  - Health Services Cost Review Commission leading the implementation

- The All-Payer Model shifts focus
  - From **per inpatient admission** hospital payment
  - To **all payer, per capita**, total hospital payment and quality
New Model Agreement 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% maximum annual growth rate for first 3 years
- **Medicare payment savings** for Maryland beneficiaries compared to dynamic national trend. Minimum of $330 million in savings over 5 years
- **Patient and population centered measures** and targets to assure care and population health improvement
  - Medicare readmission reductions to national average
  - Continued aggressive reductions in preventable conditions under Maryland’s Hospital Acquired Condition program (MHAC)
  - Many others
Shifts Focus to Patients

- Unprecedented effort to improve health and outcomes, and control costs for patients
- Focus on providing the right services and reducing utilization that can be avoided with better care, supported by changed hospital payment model
- Change delivery system together with all providers

Maryland’s All Payer Model

- Improve Patient Care
- Improve Population Health
- Lower Total Cost of Care
Creates New Context for HSCRC

- Align payment with new ways of organizing and providing care
- Contain growth in total cost of hospital care in line with requirements
- Increase focus on patients and quality of care

Better care
Better health
Lower cost
New Hospital Model Facilitates Change

- CMS contract required population based or global models for hospital rate setting by the end of 5 years
- All hospitals elected to adopt global budgets by July 1, 2014 (~95% of hospital revenues under global budgets)

What is a global budget?

- A revenue budget for the hospital covering all of its services, set at the beginning of the year
- Budget is not dependent on volume—as a result, it supports needed delivery improvements
Hospitals Improve Care by Reducing Potentially Avoidable Utilization (PAUs)

- PAUs are “Hospital care that is unplanned and can be prevented through improved care, coordination, effective primary care and improved population health.”
  - Readmissions/Rehospitalizations
  - Preventable Admissions and ER Visits that can be reduced with improved community based care
  - Avoidable admissions from skilled nursing facilities and assisted living residents that can be reduced with care integration and prevention
  - Health care acquired conditions that can be reduced with quality improvements
  - Admissions and ER visits for high needs patients that can be moderated with better chronic care and care coordination
Expected Outcomes

- Better care and lower costs benefitting consumers, business, and government

Thank you for the opportunity to work together to improve care for Marylanders
Background
Health Services Cost Review Commission

- Oversees hospital rate regulation in Maryland
- Independent 7 member Commission
  - Small professional staff of 35
- All payers pay on the basis of rates set by HSCRC
  - Medicare, Medicaid, Commercial payers
- Unique system in place since 1977 under a set of “waivers”
  - Considerable value to patients, State and hospitals
  - All payers contribute to pay for uncompensated care
- Need for waiver modernization to reflect change in focus to quality and total cost
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- The All-Payer Model shifts focus
  - From *per inpatient admission*
  - To *all payer, per capita, total hospital* payment
Long Standing Medicare Waiver

- Medicare waiver granted July 1, 1977
  - It’s what makes the system “all-payer”
  - Old waiver test was based on rate of increase in Medicare payment per admission
  - New waiver based on total hospital revenue per capita, Medicare savings, and quality improvements

- Considerable value to patients, business, hospitals, government
Support from Stakeholders

Maryland Community Health System

Dear Stakeholders,

The Maryland Community Health System is committed to improving the health and well-being of Marylanders. We recognize the unique challenges faced by our community and are dedicated to addressing them through innovative and collaborative efforts.

Thank you for your support and commitment to our mission. We look forward to working together to create a healthier future for all.

Sincerely,

[Signature]

President, Maryland Community Health System

October 7, 2013
Approved Model at a Glance

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Approved Model Timeline

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

After 5 Years--Total Cost of Care Model
- Proposal to be submitted by the end of the third year
- Implementation beyond Year 5 will further advance the three-part aim of better care, better health, and lower cost
Implementation Approach and Progress
### HSCRC Model Implementation Timeline

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<td>Bring hospitals onto global revenue budgets</td>
<td>Identify, monitor, and address clinical and cost improvement opportunities</td>
<td>Implement additional population-based and patient centered approaches</td>
<td>Develop proposal to focus on the broader health system beyond 2018</td>
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| Begin public input process: advisory council and work groups | • Enhance models, monitoring and infrastructure  
• Formalize partnerships for engagement and improvement | • Evolve alignment models and payment approaches  
• Increase focus on total cost of care | Secure resources, and bring together all stakeholders to develop approach |

**Complete**  
**In progress**
Phase 1--Initial Implementation Activities

- Bring Hospitals to Global Budgets
- Initial Payment Policy Changes
- Adapt Quality and Payment Policies to New Model
- Advisory Council
- Implementation Workgroups

Complete
Global Budget Model for Hospitals

- Global budget for hospital covers all services, developed at the beginning of the year
- Not dependent on volume
- Advantage--supports needed delivery improvements

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<th>Volume</th>
<th>Rate</th>
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<tr>
<td>BUDGET</td>
<td>100,000</td>
<td>$1,000</td>
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<tr>
<td>Actual INCREASE</td>
<td>120,000</td>
<td>$833</td>
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<tr>
<td>Actual DECREASE</td>
<td>90,000</td>
<td>$1,111</td>
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Hospital $100 million
Initial Public Engagement Process

- Engaged broad set of stakeholders in HSCRC policy making and implementation of new model
  - Advisory Council, 4 workgroups and 6 subgroups
  - 100+ appointees
  - Consumers, Employers, Providers, Payers, Practitioners
  - Technical White Papers – 19 Shared Publically

- Established processes for transparency and openness
  - Public meetings
  - Access to information
  - Opportunity for comment
Current Phase—Partnerships for Care Improvement and Infrastructure Enhancement
Continuing Implementation During FY 2015

- Refine Hospital Models
- Enhance HSCRC Infrastructure and Monitoring
- Initiate Partnership Activities
- Support Hospitals’ Focus on Clinical Improvements
Coordination of Efforts Needed

- Accountable Care Organizations and Medical Homes
- State Health Improvement Process-Public Health
- Enrollment Expansion
- Health Information Exchange--CRISP
- New All Payer Hospital Model
- Consumer Engagement, Education, and Outreach
Partnerships

HSCRC can serve as a catalyst, convener, and partner

- **Clinical & Cost Improvement:** Support selected strategies for reducing potentially avoidable utilization, practice and cost variation, and supporting high needs patients

- **Physician and Other Provider Participation:** Support development and implementation of alignment/engagement models

- **Consumer Participation:** Support consumer engagement and skill development
Public Engagement Process – Current Phase

- Advisory Council
- Payment Models
- Performance Measurement
- HSCRC
  - Alignment Models
  - Consumer Engagement Outreach and Education
  - Care Coordination Initiatives/Infrastructure
  - Partnership Activities