



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

Better care

Better health

Lower cost

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

