Health Services Cost Review Commission – FY 2018 Budget

February 10, 2017

HSCRC
Health Services Cost Review Commission

HSCRC - Overview

- Established in 1971 with two principal responsibilities:
  - Publicly disclose hospital financial data
  - Set payment levels for acute care hospitals

- HSCRC authority enables cost containment, access to care, equity in payment, financial stability, and accountability

All-Payer Model - Overview

- Maryland state law gives the Health Services Cost Review Commission authority to set rates for hospitals
  - The rates apply to all payers
  - Under a federal waiver in place since 1977, the Medicare program reimburses hospitals at rates set by HSCRC
  - In 2014, the waiver was modernized to focus on total hospital costs and outcomes, moving away from volume to value
    - New waiver is under a 5-year demonstration (2014-2018)
    - Demonstration authority is part of the Affordable Care Act (ACA)
    - To date, repeal efforts have not affected the demonstration authority

Maryland's All-Payer Model

Goal:

- Fundamentally transform the Maryland health care system
  - Provide person-centered care
  - Improve care delivery and outcomes
  - Moderate the growth in costs

All-Payer Model: Performance to Date

Performance Measures	Targets	2014 Results	2015 Results[1]	2016 Year-to-Date Results (preliminary)[2]
All-Payer Hospital Revenue Growth	≤ 3.58% per capita annually	1.47% growth per capita	2.31% growth per capita	0.35% growth per capita
Medicare Savings in Hospital Expenditures	≥ $330m over 5 years (Lower than national average growth rate from 2013 base year)	$116m (2.15% below national average growth)	$135m $251m cumulative (2.22% below national average growth since 2013)	$178m $429m cumulative (4.60% below national average growth since 2013)
Medicare Savings in Total Cost of Care	Lower than the national average growth rate for total cost of care from 2013 base year	$133m (1.53% below national average growth)	$80m $213m cumulative (0.85% below national average growth since 2013)	$106m $319m cumulative (1.63% below national average growth since 2013)
All-Payer Quality Improvement Reductions in PPCs under MHAC Program	30% reduction over 5 years	26% reduction	35% reduction since 2013	49% reduction since 2013
Readmissions Reductions for Medicare	≤ National average over 5 years	20% reduction in gap above nation	57% reduction in gap above nation since 2013	71% reduction in gap above nation since 2013
Hospital Revenue to Global or Population-Based	≥ 80% by year 5	95%	96%	96%

Proposal for Second Term Beginning in 2019

All-Payer Model - Waiver Continuation

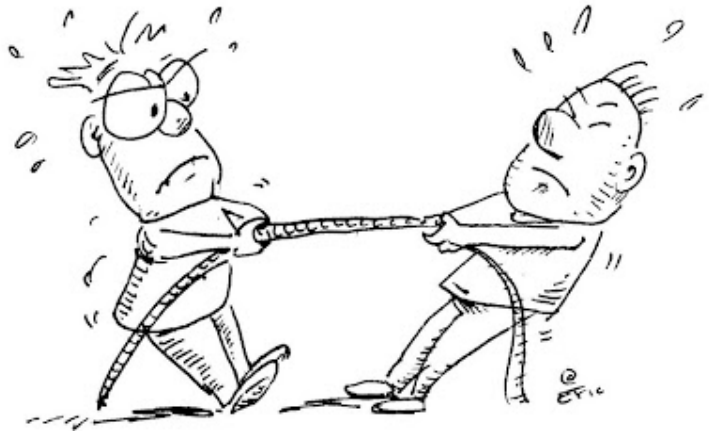
- Maryland's hospital waiver for Medicare is dependent on renewing the demonstration for 2019 and beyond
  - In December, 2016, Governor Hogan submitted a plan for the second term of the All-Payer Model to begin in 2019
  - Meetings and negotiations for this renewal have started
  - Current timeline calls for completion of initial negotiations by mid-2017, with the federal clearance timeline still to be determined
    - The timeline is dependent on the new administration of the federal government
  - Timing is critical to sustain progress and certainty needed for investments and change

Maryland's Need to Address Aging Population Chronic Healthcare Needs

- 37% increase in Maryland's population >65 years old between 2015 and 2025
- Without coordinated comprehensive care, extraordinary expenses will occur
- Profound impact on federal and state budgets and delivery systems
  - E.g. the increase in utilization/spend in Medicare/Medicaid for dually eligible
  - Need significant changes in delivery system
  - Need improvements in care and supports for complex patients in facility setting/chronic care management in community settings

Payment and Care Delivery Alignment

Current



- Hospitals on Global Budgets with quality targets
- Providers on volume-based care without quality targets
- Little coordination of care

Planned

- Hospitals and Providers with aligned quality targets
- Sharing information
- Driving down costs
- Improving the health of populations

Second Term Proposal: "Progression Plan" Highlights

- Second term beginning in 2019
- Build on global revenue model and continue focus on complex and high needs individuals, care improvement
- Payment and delivery alignment beyond hospitals
- MACRA bonus-eligible programs
- Progression Plan includes components led by DHMH and MHCC
  - Comprehensive Primary Care Model (begins 2018)
  - Dual Eligibles ACO

FY 2018 Budget Issue Response

HSCRC Response to budget issues

1. **The commissions should comment on how the current user fee assessment caps are affecting their ability to fulfill their current duties and responsibilities.**
   - Progression Plan proposes the use of both State and private-public partnerships to meet the demands of new analysis and methodologies to transform care delivery.
     - There is a much greater need for private efforts with care transformation.
   - The HSCRC will need some additional personnel.
   - The need for an increase in the cap will depend on the allocation of responsibilities between public and private efforts.

HSCRC Response to budget issues

II. **The commissions should comment on what new governance legislation will be presented**

- Legislation is needed to implement Care Redesign Amendments and Primary Care models
  - HB 403/SB 369 creates a narrow exemption to the Maryland Patient Referral Law to allow hospitals and health care providers to enter into basic compensation arrangements to share data, resources, and staff to ensure greater care coordination and management for patients for models that have been expressly approved by CMS. In addition to federal oversight, the Maryland Insurance Administration will also evaluate any models that include patients other than Medicare and Medicaid.
  - MHCC will address legislation needed to implement the Maryland Primary Care Model.
- DHMH, MHCC, and HSCRC will work together and with stakeholders to determine what additional governance structures will be needed for the progression plan as more details are developed and negotiated.

HSCRC Response to budget issues

II. **The commissions should provide more detail on how the three entities will share responsibility for the implementation of the Progression Plan**

- Multiple agencies have been involved throughout the planning process
  - DHMH, Medicaid, MHCC, HSCRC
- HSCRC will focus on implementation of Care Redesign Amendments, beginning in 2017 (approved by CMS and awaiting legal documents)
- MHCC will focus on implementation of the Comprehensive Primary Care Program, with implementation activities beginning in 2017 and a planned start in 2018 (subject to CMS approval)
- Duals ACO, which has not yet been submitted, will be implemented by Medicaid
- Continued planning is underway to define more detailed progression plans and implementation timelines, which will be affected by federal negotiations

HSCRC Response to budget issues

II. **The commissions should more concretely identify what resources the State seeks to leverage, outside of the State budget, to make sure the implementation is successful.**

- The progression plan involves care redesign in provider organizations. Resources outside of the State budget will include:
  - Hospital and other private resources
  - Remaining funds designated from the MHIP assessment fund balance for high needs Medicare patients
  - Federal funds (Primary Care Model)
  - Federal matching funds for some CRISP activities
  - Assessments to support HSCRC and MHCC as needed for implementation activities
  - Assessments as needed to support work of CRISP after 2019
  - Dual eligible programs will require Medicaid funding (TBD)

HSCRC Response to budget issues

III. **HSCRC should also comment on what strategies it will employ to ensure that the State retains its all-payer system in light of the continuing uncertainty at the federal level concerning continuation of prior health care reform efforts.**

- Meet and exceed performance goals
- Commit all agencies and State leaders to negotiations, work with stakeholders, educate the new federal administration
- Keep pressure on the timeline
- Keep abreast of national changes
  - To date, the ACA repeal proposals do not eliminate the demonstration authority that enables our All-Payer model demonstration
- Adapt as needed--model should appeal to the new administration
  - Uses state flexibility
  - Controls growth in total Medicare expenditures
  - Moves from volume to value (bi-partisan legislation)

HSCRC Response to budget issues

IV. **HSCRC should comment on the plans for the special projects funding, and whether all of the available funds will be expended by the close of fiscal 2019.**

- HSCRC special projects are used to implement strategies aimed at improving health outcomes for high-needs Medicare patients and reducing health care expenditures for that population
- Contract modifications were approved by Board of Public Works in January 2017 for Medicare analytics and consulting resources
- CRISP activities increase over time
- Other permissible uses of MHIP funds to develop integrated care networks for high-needs Medicare patients
  - Maryland Comprehensive Primary Care Program
  - Dual Eligible ACO support
- All funds will be utilized, but utilization may need to be extended into 2020.

DLS Recommended Action

1. **Reduce funding for indirect costs to the legal allowable level of 18%**
   - **HSCRC Concurs**
   - **Health-General §19-208(b)(3) states, "The amount to be paid by the Commission to the Department for administrative costs, not to exceed 18% of the salaries of the Commission, shall be based on indirect costs or services benefitting the Commission, less overhead costs paid directly by the Commission."**