



Maryland Department of Health - Health Regulatory Commissions
Fiscal Year 2023 Operating Budget
Response to Department of Legislative Services Analysis

House Appropriations Committee
Health and Social Services Subcommittee
Delegate Kirill Reznik
February 14, 2022

Senate Budget and Taxation Committee
Health and Human Services Subcommittee
Senator Melony Griffith
February 17, 2022

The Department thanks the Governor, the Department of Budget and Management, and the Budget Committees for their support in 2020 and in 2021 with COVID-19 response efforts. We thank the Department of Legislative Services for its insightful budget analysis.

New Grant Programs Administered by the Maryland Community Health Resources Commission (CHRC)

The department should comment on the future availability of funding for CHRC operating grants after fiscal 2024 (p. 9).

MDH Response: Current statutory language allows for the premium tax subsidy that has funded CHRC operating grants to continue doing so in FY 2025 and beyond. Absent changes to statute, any future budget decisions regarding funding levels for CHRC operating grants versus other allowable uses of the subsidy would be at the discretion of the new Administration.

Health Equity Resources Commission (HERC)

MDH should comment on the availability and status of the initial HERC funding authorized by the RELIEF Act (p. 11).

MDH Response: The Department of Budget and Management has confirmed that RELIEF Act funds are no longer available to support the HERC program. Instead, the state's American Rescue Plan Act (ARPA) award will be used to fund HERC activities in FY 2022. The ARPA support will be brought into the CHRC budget via planned budget amendment.

Support for Hospitals during COVID-19 Pandemic

Given the State’s unique hospital financing system and its net-positive impact on hospital financial stability, DLS recommends adopting committee narrative requesting a report on the impact of the COVID-19 crisis to date on Maryland hospitals. Specifically, this report should include discussion of the benefits of the Maryland model on hospital operations and stability when compared to the nation and costs associated with hospital operations during the crisis, including the actual costs of COVID-19 treatment by the State’s rate payors, and the challenges or increased costs needed to maintain adequate staffing levels at Maryland hospitals (p. 17).

HSCRC Response: The Total Cost of Care Model provides essential protections to Maryland hospitals that are not available in states with fee-for-service reimbursement systems for hospitals. Maryland’s population-based Global Budget Revenue (GBR) system provides hospitals with financial stability, as annual revenue is guaranteed even as patient volumes fluctuate. As noted in CMS’s 2021 evaluation of the Total Cost of Care Model, the support provided by hospital global budgets helped prevent hospital closures in Maryland during the pandemic. To ensure consumer prices are reasonable, HSCRC accounts for federal funding received by hospitals in setting rates, as well as pacing out hospital recoupment of 2020 and 2021 undercharged amounts.

In addition, HSCRC was able to use the hospital rate-setting system to provide funding for hospitals that entered into partnerships with long-term care facilities to share resources and expertise related to infection control during the COVID-19 pandemic. HSCRC also funded hospital community vaccination efforts, focusing on vaccine access in underserved, vulnerable, and hard-to-reach areas.

HSCRC looks forward to completing the requested report. HSCRC notes that fiscal year 2022 audited hospital data will not be available to HSCRC until after the recommended report due date. HSCRC recommends either focusing the report on 2021 data or changing the due date of the report to January 31, 2023.

Continued Success under the TCOC Model

HSCRC should comment on any data update available regarding the State progress in meeting the 2021 TCOC growth guardrail (p. 18).

HSCRC Response: Under Maryland's Total Cost of Care Model agreement with the U.S. Centers for Medicare and Medicaid Services (CMS), the State must meet a set of cost and quality targets on an annual basis. These targets include an annual Medicare Total Cost of Care Savings target, a target for the amount of all-payer hospital revenue growth per capita, targets related to readmissions reductions for Medicare and all-payer reductions in hospital-acquired infections, and a target related to the percent of hospital revenue that is under population-based payment methodologies. The final target requires that Medicare total cost of care growth in Maryland may not exceed 1% above national spending growth in any year and may not exceed national spending growth for two years. This target is referred to as the “guardrail.” As presented at the February HSCRC Commission meeting on February 9, 2022, Medicare Total Cost of Care payments for January 2021 through October 2021, compared to January through October 2020, are currently running 0.8% higher than the national growth rate. This is under the 1% single-year threshold for this TCOC target measure. The HSCRC is hopeful that the November and December data will keep the state at or below that

1% threshold for calendar year 2021. Final data for calendar year 2021 will be available later this spring. Attached to this document is a slide summarizing the targets in the Total Cost of Care agreement and Maryland's performance in the guardrail target, using January-October data, for 2021. (ATTACHMENT A).

Maryland Primary Care Program (MDPCP)

Given the modest impact shown thus far, volatility on overall utilization in calendar 2020, and the importance of this program to overall success under TCOC, DLS is recommending continued evaluation of MDPCP by HSCRC (p. 19).

HSCRC Response: HSCRC and the MDPCP project management office in MDH work closely to monitor the performance of the MDPCP program, including monthly data monitoring of the cost savings resulting from reduced utilization. This data uses the same methodology that HSCRC has provided to the Committees in the 2020 and 2021 reports evaluating the MDPCP program. HSCRC looks forward to providing a similar report to the Committee in 2022.

MDH Response: We continue to partner with the HSCRC and we benefit from their analysis which assists in performance standards setting. Their guidance has been extremely useful in providing operational improvements to the MDPCP.

DLS recommends adopting committee narrative requesting continued evaluations of MDPCP, which should have a discussion of the outcome-based credits, including the impact that these measures have on reducing total care management fees credited against the State's TCOC, and the MDPCP's program roll in achieving these outcome-based measures (p. 22).

HSCRC Response: The outcome-based credits help to offset Maryland's total cost of care, of which care management fees paid to MDPCP practices is included. The outcome-based credit was originally an accounting tool, whereby the State was given a mechanism to lower its total cost of care calculation through favorable performance on the outcome-based credits. MDPCP and the outcome-based credits are different programs, both of which are aligned with the State's population health goals. There was never an expectation that MDPCP would directly contribute to the success of the outcome-based credit, though. Instead, the MDPCP practices can provide the elements to help contribute to meeting overall population health goals related to diabetes. HSCRC staff does not think that it is possible to isolate the impact of MDPCP on the outcome-based credits. Staff could do a difference-of-difference analysis on the incidence of diabetes that we see in the claims data, but staff will not be able to tie that directly to the outcome-based credit measurement (which uses CDC survey data).

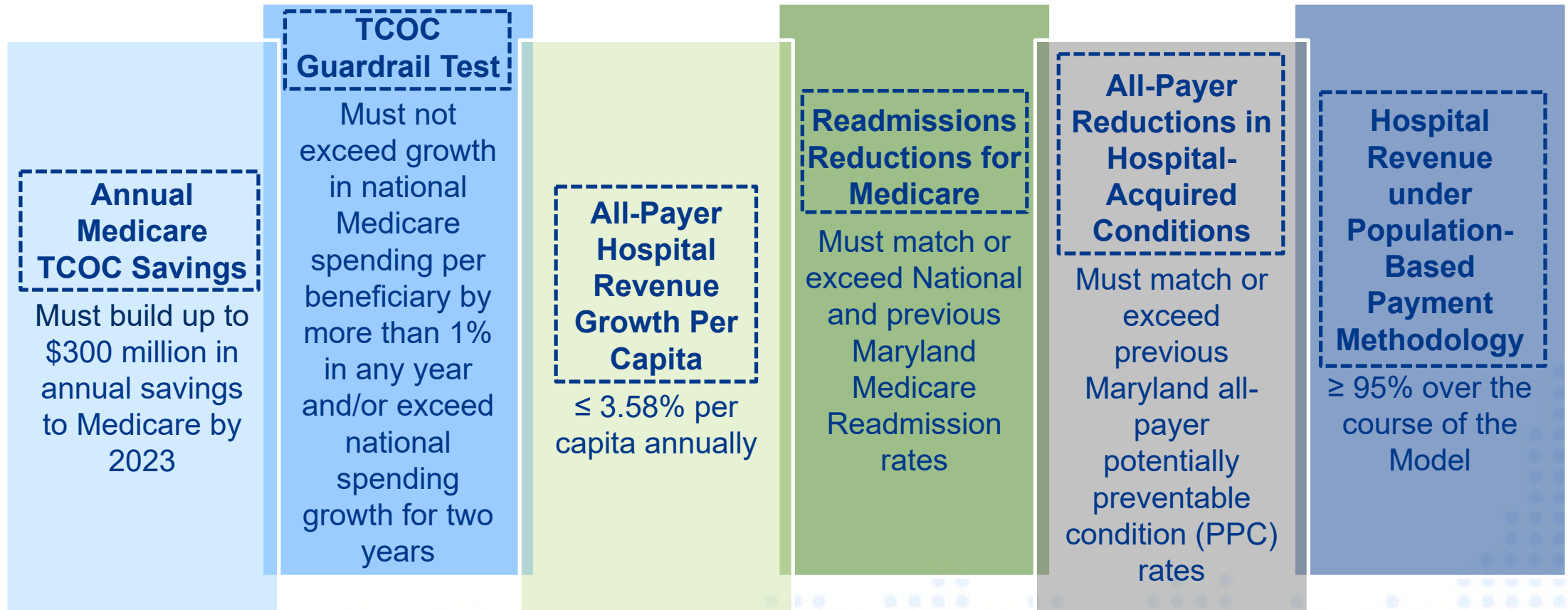
MDH Response: We agree with the HSCRC response and respectfully do not agree with the DLS recommendation.

Total Cost of Care (TCOC) Model Targets

ATTACHMENT A

Total Cost of Care Model (2019-2028)

The TCOC Model requires the State of Maryland to meet the following targets:



Medicare Total Cost of Care Payments per Capita

