



maryland  
**health services**  
cost review commission

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# Maryland's Experience and Progress in Implementing Value-Based Healthcare Reform

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# Overview

- HSCRC Background
  - Who we are
  - How our work supports the State
- The Maryland Health Model: Agreements with CMS
  - The All-Payer Model
  - The Total Cost of Care Model
- The Maryland Health Model and COVID-19

# HSCRC - Who We Are



The Maryland Health Services Cost Review Commission (HSCRC) is an independent state agency responsible for regulating the quality and cost of hospital services to ensure all Marylanders have access to high quality healthcare.

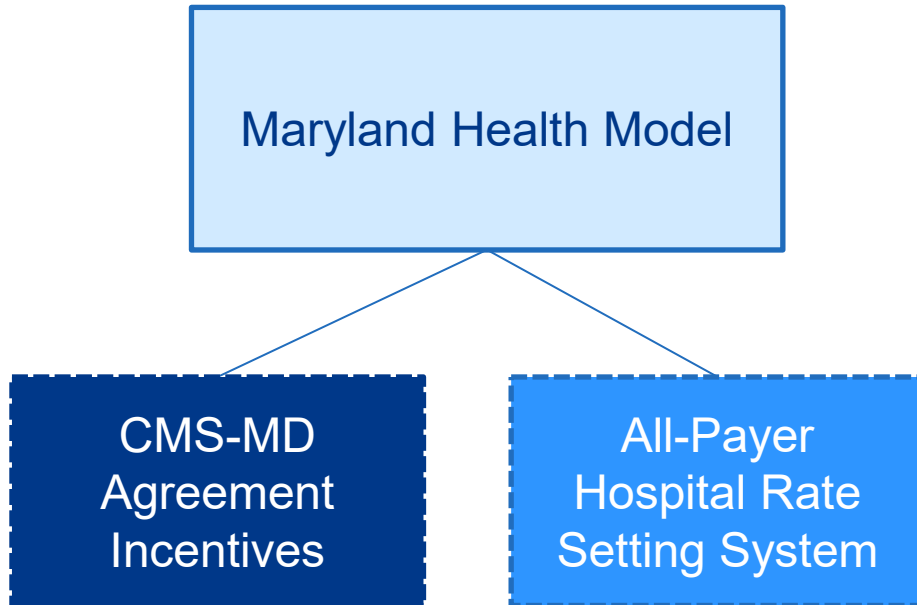
Vision: Enhance the quality of health care and patient experience, improve population health and health outcomes, and reduce the total cost of care for Marylanders

The HSCRC establishes rates for all hospital services and helps develop the State's innovative efforts to transform the delivery system and achieve goals under the Maryland Health Model.

Commission layout:

- 7 Commissioners appointed by the Governor
- Approximately 50 staff

# Maryland's Unique Healthcare Payment System



- Maryland's approach:
  - Enables cost containment for the public
  - Incentivizes better all-payer health outcomes through pay-for-performance programs
  - Avoids cost shifting across payers and provides equitable rates to self-pay customers
  - Guarantees equitable funding of uncompensated care
  - Creates a stable and predictable system for hospitals
  - Funds investments in population health
  - Establishes Maryland as a leader in linking quality and payment
  - Provides support for state healthcare infrastructure and subject matter expertise

# Progression of Maryland's All-Payer Rate Setting System



Volume

Value

## Fee-For-Service Reimbursement

Revenue = Price \* Quantity

Hospitals incentivized to bring in more patient volume

## Per Capita, Value-Based Reimbursement

Revenue = Base year revenue + trend ± value-based adjustments

Hospitals are incentivized to focus on keeping people well, reducing avoidable admissions and readmissions

Shift from volume to value → Focus on efficient hospital episodes and no incentives for unnecessary utilization

# Support of State Infrastructure

- HSCRC can assess fees on hospitals that help fund Maryland's healthcare infrastructure that advances the entire healthcare system
- These fees currently support the following entities, in addition to the HSCRC and other programs/organizations:

## Chesapeake Regional Information System for our Patients (CRISP)

- Maryland's state-designated health information exchange

## Maryland Patient Safety Center

- Brings together health care providers to study the causes of unsafe practices and put practical improvements in place to prevent errors

## Maryland Health Care Commission (MHCC) User Fee

- An independent regulatory agency whose mission is to plan for health system needs, promote informed decision-making, increase accountability, and improve access in a rapidly changing health care environment

## Nurse Support Programs

- Statewide initiatives to increase the number of nurses and support continued education throughout Maryland's healthcare system

## Medicaid Deficit Assessment

- Assists the State in defraying the costs associated with expanded Medicaid eligibility, which would otherwise result in higher rates of uncompensated care

# Maryland's All-Payer Model (APM)

All-Payer  
Model  
(2014-  
2018)

- Effective January 1, 2014
- The All-Payer Model shifts focus
  - From cost per case
  - To population-based, total hospital payment

## At a Glance: All-Payer Model Targets

Hospital Revenue to Global or Population-Based more than **80% by year 5**

All-Payer total hospital per capita revenue growth ceiling of **3.58% annual growth**

Medicare hospital payment **savings of \$330 million** in savings over 5 years

Patient- and population- centered measures and targets to promote care improvement

1. Medicare **readmission reductions** to national average
2. 30% reduction in **preventable conditions** under Maryland's Hospital Acquired Condition program (MHAC) over 5 years
3. Other quality improvement targets

## All-Payer Model Features (2014-2018)



- ✓ Per capita, value-based payment framework for hospitals
- ✓ Provider-led efforts to reduce avoidable use and improve quality and coordination
- ✓ Savings to Medicare without cost shifting
- ✓ Sustains rural health care with stable revenue base

# Maryland Exceeded Cost and Quality Targets under APM

All-Payer Model (2014-2018)

## Actuarial Cost Results

**\$1.4B**

Medicare Hospital Savings

**\$869M**

Medicare TCOC Savings\*

**1.92%**

Average all-payer hospital average annual growth per capita

98% Maryland hospital revenues were moved to population-based payment

## Quality Results

**51%**

Reduction in complications

**Better**

than national Medicare readmission rate

\*Increases in non-hospital services offset hospital savings

Source: Report from Centers for Medicare & Medicaid Services to HSCRC. Performance Year 5 Results.



# Room for Improvement under the All-Payer Model

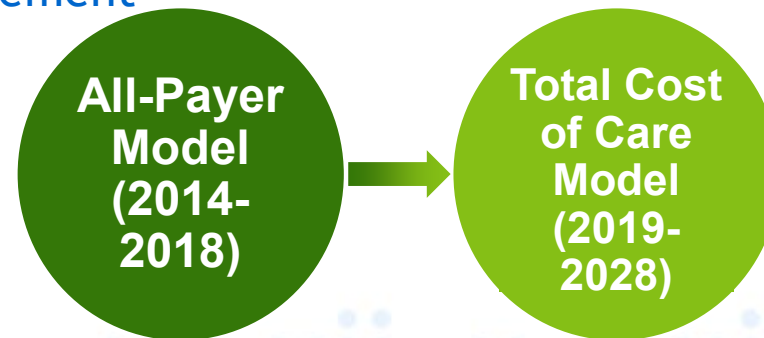
## Medicare Hospital Savings

\$1.4B cumulative  
(8.74% below national average growth)

## Medicare Total Expenditure Savings

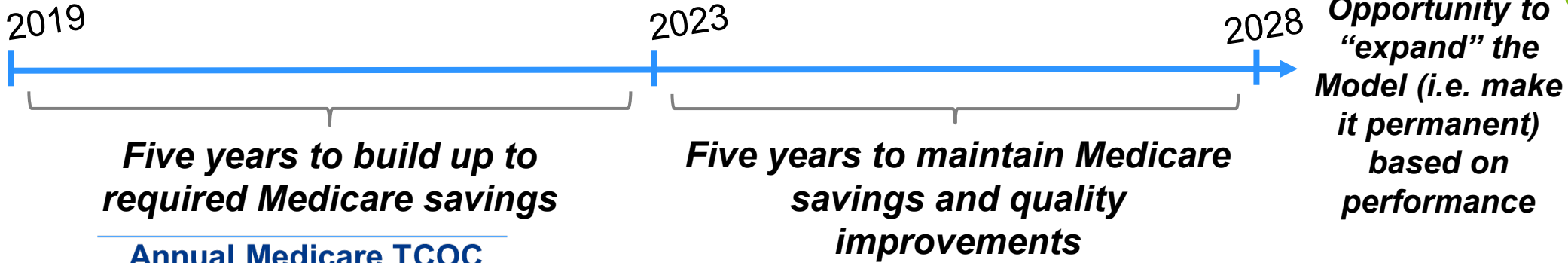
\$869M cumulative  
(2.74% below national average growth)

- APM hospital savings outpaced TCOC savings
  - Partially due to hospital global budgets incentivizing shifts to outpatient settings
  - Also due to the Model incentivizing more preventive care and provision of care in more appropriate settings
  - Overall, Maryland had more improvement opportunities and needed to align incentives system-wide in order to continue cost growth containment and quality improvement



# TCOC Model Savings Targets

Total Cost of Care Model (2019-2028)



**Annual Medicare TCOC Savings Targets**  
(relative to 2013 base)

<b>2019</b>	PY 1:	\$120 million
<b>2020</b>	PY 2:	\$156 million
<b>2021</b>	PY 3:	\$222 million
<b>2022</b>	PY 4:	\$267 million
<b>2023</b>	PY 5:	\$300 million

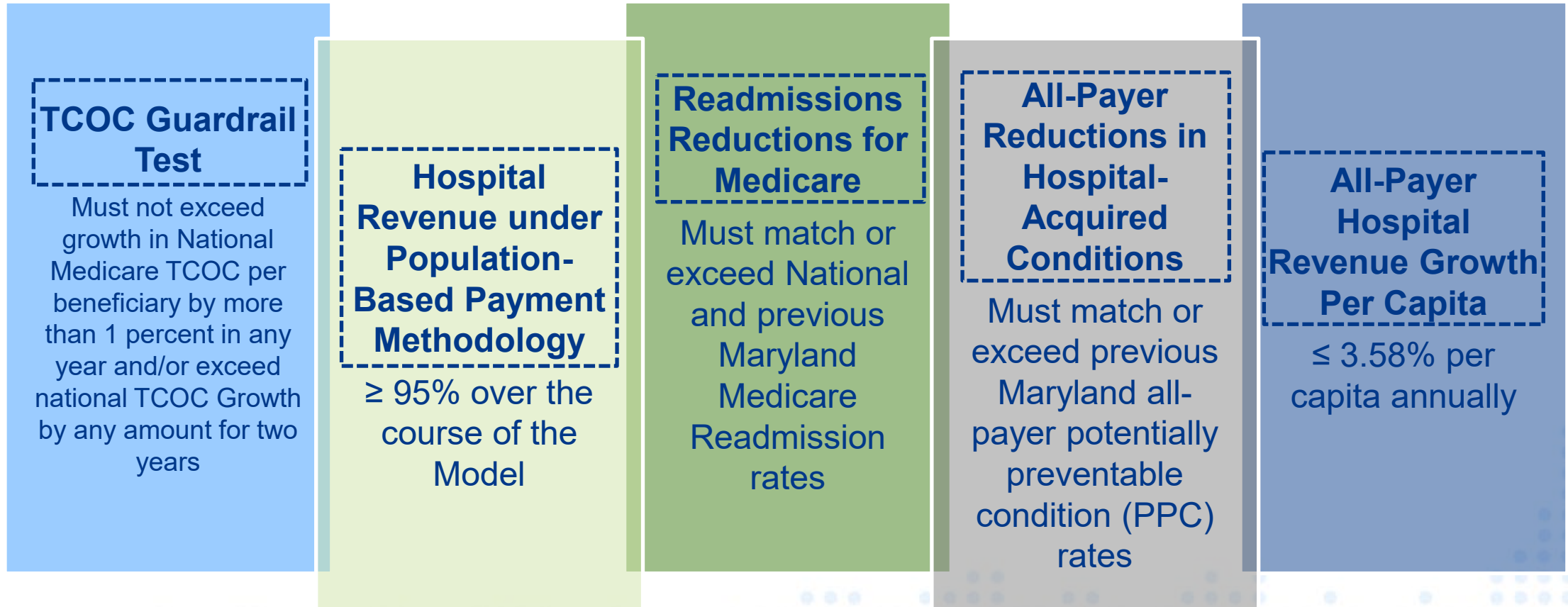
- By the end of 2023, the state must achieve \$300 million in annual savings to Medicare Parts A and B (~4%), through slower TCOC spending growth per beneficiary
- Compounded annual savings target for 2023-2028 is TBD – will be set through discussions between CMMI and the State

- If Maryland misses performance target it must enter a Corrective Action Plan or simply catch up to the next savings target, dependent on scale of underperformance

# Other TCOC Model Targets

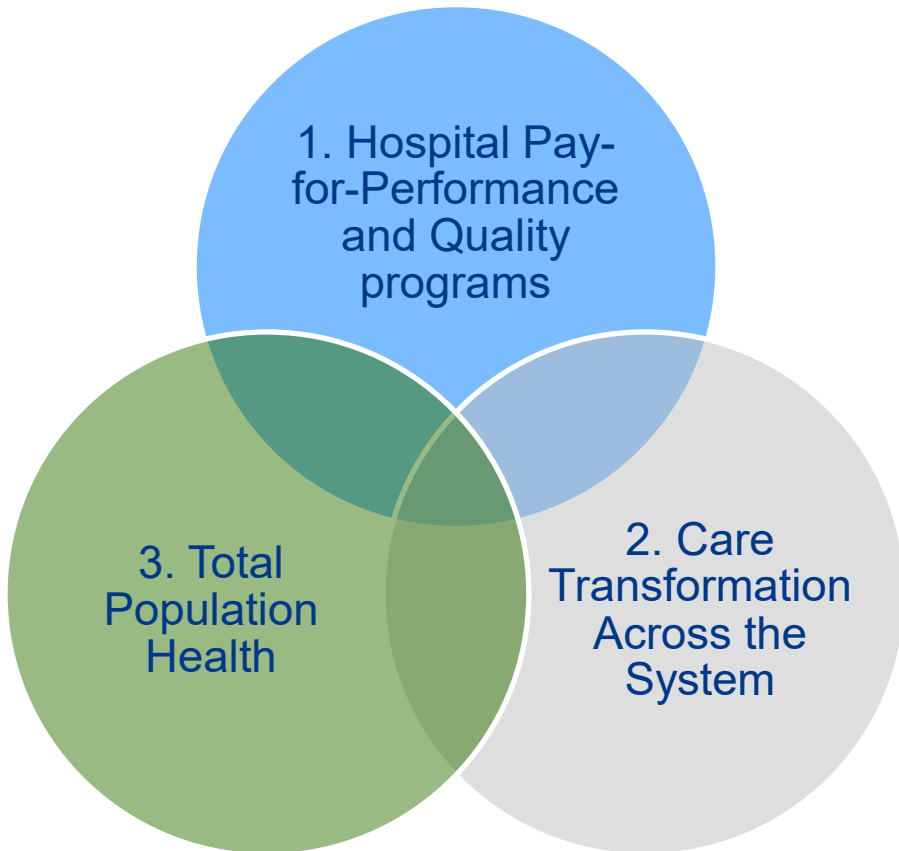
Total Cost of Care Model (2019-2028)

- In addition to the TCOC savings targets, the TCOC Model also requires the State of Maryland to meet the following targets:



# TCOC Model Components

Total Cost of Care Model (2019-2028)



Component	Purpose
<b>Hospital Population-Based Revenue</b>	Expands hospital quality requirements, incentives, and responsibility to control total costs through limited revenue-at-risk (e.g. Medicare Performance Adjustment, reduction of potentially avoidable utilization, & reduced readmissions)
<b>Care Redesign and New Model Programs</b>	Fosters care transformation <i>across the health system</i> <ul style="list-style-type: none"> <li>• Expands incentives for hospitals to work with others</li> <li>• Opportunity for development of “New Model Programs” for non-hospital providers (e.g. EQIP)</li> <li>• MACRA eligibility with participation</li> </ul>
<b>Maryland Primary Care Program</b>	Enhances chronic care and health management for Medicare enrollees
<b>Population Health</b>	Encourages programs and provides financial credit for improvement in statewide diabetes, opioid addiction, and at least one other state priority area

# The Maryland Primary Care Program (MDPCP)

Total Cost of Care Model (2019-2028)

- On January 1, 2019, Maryland began to move Medicare FFS beneficiaries into advanced primary care to:
  - Manage health of high and rising risk individuals in community, reduce hospital utilization, provide preventive care, and address behavioral health and social needs
- MDPCP strengthens and transforms primary care delivery by introducing care management and coordination supports such as:
  - Telemedicine, behavioral health and substance abuse counseling, care managers, and other patient supports
  - Care Transformation Organizations, unique to Maryland, to support small and independent practices

## Care Management Fees

CMFs are paid by CMS to practices, but the State is responsible for offsetting this spending with savings. They are designed to provide resources for chronic care improvement by covering additional cost of better care coordination, managing chronic conditions, etc.



### Track 1

- Payment structure: **Regular FFS**
- Average monthly **payments** per beneficiary:
  - \$15 base + \$2.50 based on performance

### Track 2

- Payment structure: Comprehensive Primary Care Payment (CPCP) & **reduced FFS** payment
- Average monthly **payments** per beneficiary:
  - \$28 base + \$4 based on performance



# MDPCP Uptake To Date

~ 220,000 beneficiaries

~ 1,500 Primary Care Providers

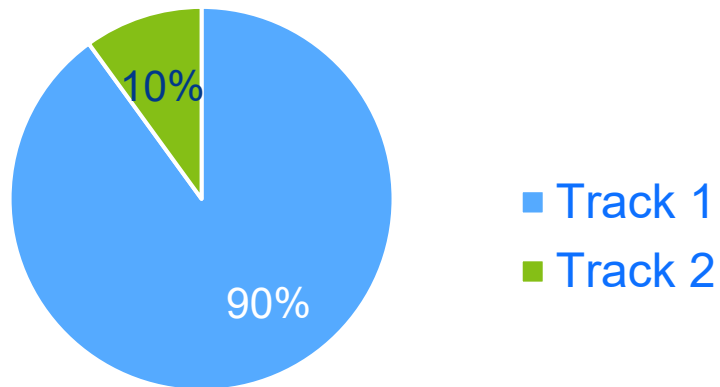
All counties represented

21 Care Transformation Organizations

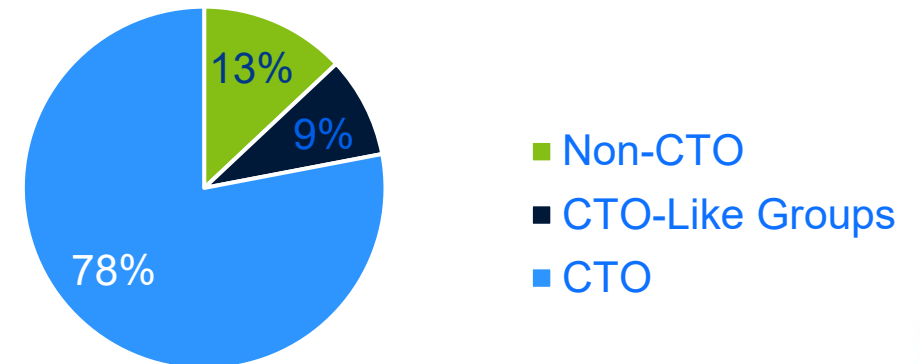
Total Cost of Care Model (2019-2028)

## 380 Practices Accepted Statewide

Practice Tracks



Practices Partnered with a CTO



- Nearly \$70M in MDPCP Care Management Fees (CMF) and Performance-Based Incentive Payments (PBIP) in CY 2019
- MDPCP is an investment expected to pay for itself over the long-term by increased chronic care management by PCPs resulting in reduced ED utilization and hospital admissions

# Maryland's Initial Population Health Priorities

Total Cost  
of Care  
Model  
(2019-  
2028)

- **Diabetes prevention and management**
  - Identified as a priority by Maryland State Secretary of Health
  - Initiative being led by the Maryland Department of Health
  - Maryland's statewide ***Diabetes Action Plan*** is now available on MDH website
- **Opioid screening, prevention, and treatment**
  - Opioid Task Force convened under Lt. Gov. Rutherford in 2015
  - State of Emergency declared by Governor Hogan in 2017
  - State coordinating body, the Opioid Operational Command Center (OOCC), established in 2017

# Grant Programs to Support State TCOC Goals

- The Commission provides additional financing to hospitals through GBRs to support identified community needs, statewide priorities, and infrastructure development.

## Regional Partnership Catalyst Grant Program

*Supports hospital-led community partnerships that address statewide population health goals*

## Population Health Workforce Support for Disadvantaged Areas (PWSDA) Program

*Funds hospital investment in community-based jobs that help advance patient health*

## Medicare Advantage Partnership Program

*Designed to enhance access to and quality of Medicare Advantage plans*

## COVID-19 Long-Term Care Partnership Grant Program

*Encourages hospitals to help congregate living facilities combat COVID-19 by sharing resources*



# The Maryland Health Model and COVID-19

# COVID-19 and the Maryland Health Model: Key Advantages

- The Total Cost of Care Model provides essential protections and assurance to Maryland hospitals that is not available in other states where hospitals work on a FFS basis
  - Maryland's "Global Budget Revenue" (GBR) system is based on population, rather than volume and provides hospitals additional financial stability, especially during times of volume volatility
  - A proactive, State-based response is not dependent on federal action
  - State granted additional limited "corridor capacity" to address volume trough and preparations for COVID-19 treatment (balancing hospital pricing vs. consumer affordability)
- Protections exist for hospital regulated revenues, but not for unregulated revenues
  - Financial picture, Maryland hospitals Fiscal 2019
    - Net operating revenue for regulated services totaled \$15 billion
    - Net operating revenue for unregulated services totaled \$1.8 billion
  - GBR provides stability for hospital regulated revenue, but does not protect unregulated revenue
  - Nationally, hospitals lost on average 40-60 percent of volumes (inpatient and outpatient) between March and June 2020. FFS hospitals outside of Maryland lose that revenue.
  - In Maryland, regulatory protections allow hospitals under GBR to recoup the majority of the regulated revenue, through flexible charging corridors and rolling over "undercharges" not charged in the current fiscal year.

# Review

- The Maryland Health Model is a unique approach to healthcare that, among other things, ensures equitability of hospital charges, enables the State to link health outcomes to payment through pay-for-performance programs, and supports statewide healthcare infrastructure
- Under the All-Payer Model, the State of Maryland succeeded in reducing healthcare costs and enhancing quality; the Total Cost of Care Model aims to further reduce healthcare spending and improve outcomes on a population-wide basis.
- Maryland's unique Global Budget Revenue (GBR) system helps the State achieve its Model goals by focusing on value rather than volume and encouraging investment in population health.
- The Maryland Health Model has increased stability for the State's hospitals during the COVID-19 pandemic.

# Thank you!

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