



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

**Maryland Health Services Cost Review Commission  
December 2014**

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# Focus and Opportunities of New Model

# Approved New All-Payer Model

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- ▶ 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

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- ▶ **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

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- ▶ 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



- Improve Patient Care**
- Improve Population Health**
- Lower Total Cost of Care**

# Creates New Context for HSCRC

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- ▶ 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

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- ▶ 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)

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- ▶ 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

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

**Thank you for the opportunity to work together to improve care for Marylanders**

