



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

Maryland Health Services Cost Review Commission
December 2014

Focus and Opportunities of New Model



Approved New All-Payer Model

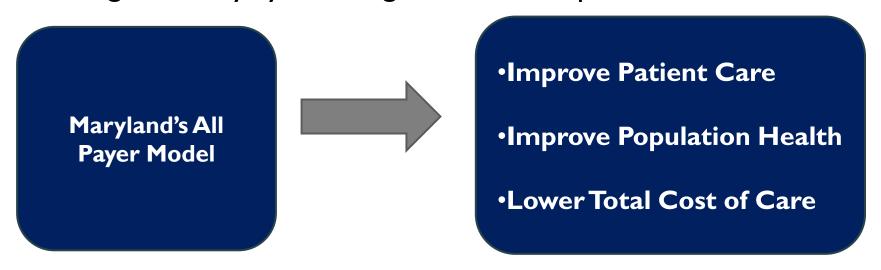
- Maryland is implementing a new All-Payer Model for hospital payment
 - New Model contract approved by CMS/CMMI effective January 1, 2014
 - Modernizes Medicare waiver in place since 1977 and maintains benefits
 - Health Services Cost Review Commission leading the implementation
- ▶ The All-Payer Model shifts focus
 - From per inpatient admission hospital payment
 - To all payer, per capita, total hospital payment and quality

New Model Agreement at a Glance

- 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

- 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



Creates New Context for HSCRC

- 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

- 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)

- 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

 Better care and lower costs benefitting consumers, business, and government

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

