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
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

Maryland’s All Payer Model

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