



The Hilltop Institute

analysis to advance the health of vulnerable populations

Hospital Payment Reform in Maryland: Monitoring Medicaid Total Cost of Care

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Introduction

On January 1, 2014, Maryland launched a new all-payer hospital rate setting system that focuses on costs per capita and involves a shift from fee-for-service (FFS) to population-based global budgeting for hospitals. The Centers for Medicare & Medicaid Services (CMS) requires the state to transition to a total cost of care model by 2017. Identifying cost shifting across payers, service categories, and regulated and unregulated setting is a key component of this new system. As one of the largest payers of health care in the state, Maryland Medicaid is closely monitoring expenditure and utilization changes as the new system is implemented.

Objective

The purpose of this study is to identify the potential effects of the new all-payer system on Medicaid costs, utilization, and providers, including the state's strategy for monitoring total cost of care for Medicaid beneficiaries and any potential cost shifting.

Data Sources & Study Population

Data Sources: Maryland Medicaid eligibility, claims, and encounter data; self-reported managed care organization expenditure data

Study Population: This study includes the entire Maryland Medicaid population from CY 2013 onward.

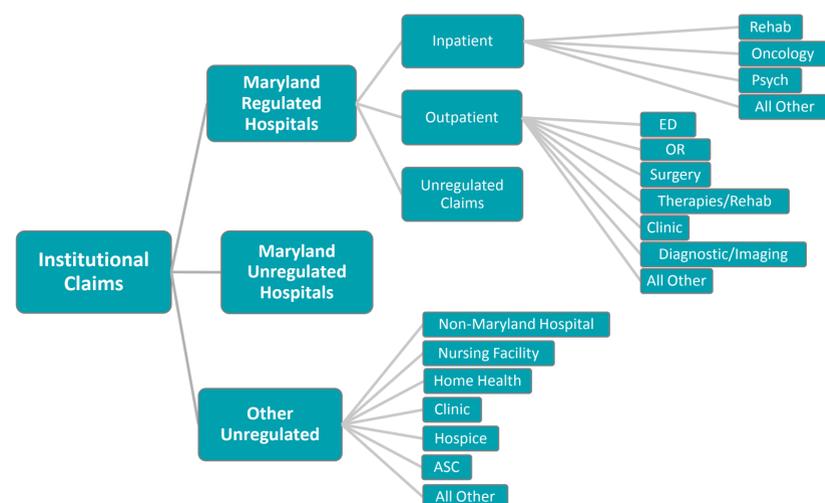
Acknowledgements

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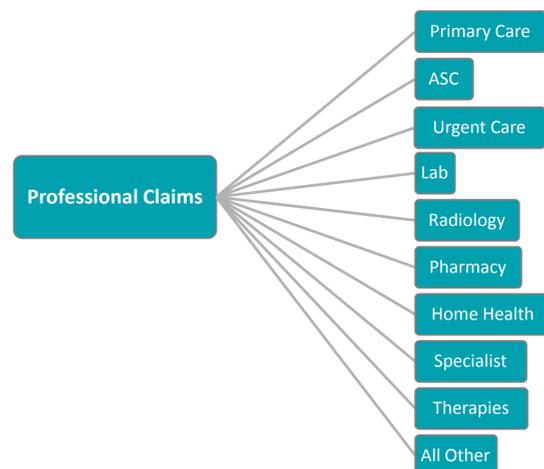
Methods

Services and expenditures were classified into various categories and adjusted for age, region, and health status (using coverage group as a proxy).

Institutional services and expenditures were classified into the following categories:

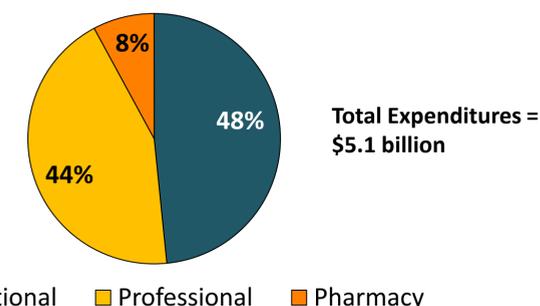


Professional services and expenditures were classified into the following categories:



Findings

Percentage of Total Medicaid Expenditures by Category, CY 2013



Percentage of Medicaid Institutional Services by Setting, CY 2013

	Regulated	Unregulated
Vists/Stays	21.40%	78.60%
Expenditures	52.10%	47.90%

Policy Implications

This study provides a methodology for monitoring Medicaid costs and service utilization under Maryland's new all-payer hospital rate-setting system. This template may be useful for other states interested in adopting global budgets, and it may also serve as a model for tracking managed care expenditures.

Conclusion

CY 2013 baseline data show that nearly half of all of Maryland Medicaid spending is for institutional services, and 20% of those services occur in regulated settings. Further conclusions will be drawn as the study progresses.

