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 settings 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

Hilltop would like to thank the Maryland Department of Health and Mental Hygiene for funding this research and providing access to its data.

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:

- Institutional Claims: Maryland Regulated Hospitals, Maryland Unregulated Hospitals, Other Unregulated
- Unregulated Claims: Non-Maryland Hospital, Home Health, Therapies, Other

Professional services and expenditures were classified into the following categories:

- Professional Claims: Primary Care, Acute Care, Skilled Nursing Care, Home Health, Hospice, Urgent Care

Findings

Percentage of Total Medicaid Expenditures by Category, CY 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>Regulated</th>
<th>Unregulated</th>
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</thead>
<tbody>
<tr>
<td>Vists/Stays</td>
<td>21.40%</td>
<td>78.60%</td>
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<tr>
<td>Expenditures</td>
<td>52.10%</td>
<td>47.90%</td>
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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.