



Maryland Health Services Cost Review Commission

Population-Based and Patient-Centered Payment Systems
Implementation Goals and Challenges

November 13, 2013

Implementation Goals

- Align payment with new ways of organizing and providing care
- Contain growth in total cost of hospital care in line with requirements
- Evolve value payments around efficiency, health and outcomes

Better care

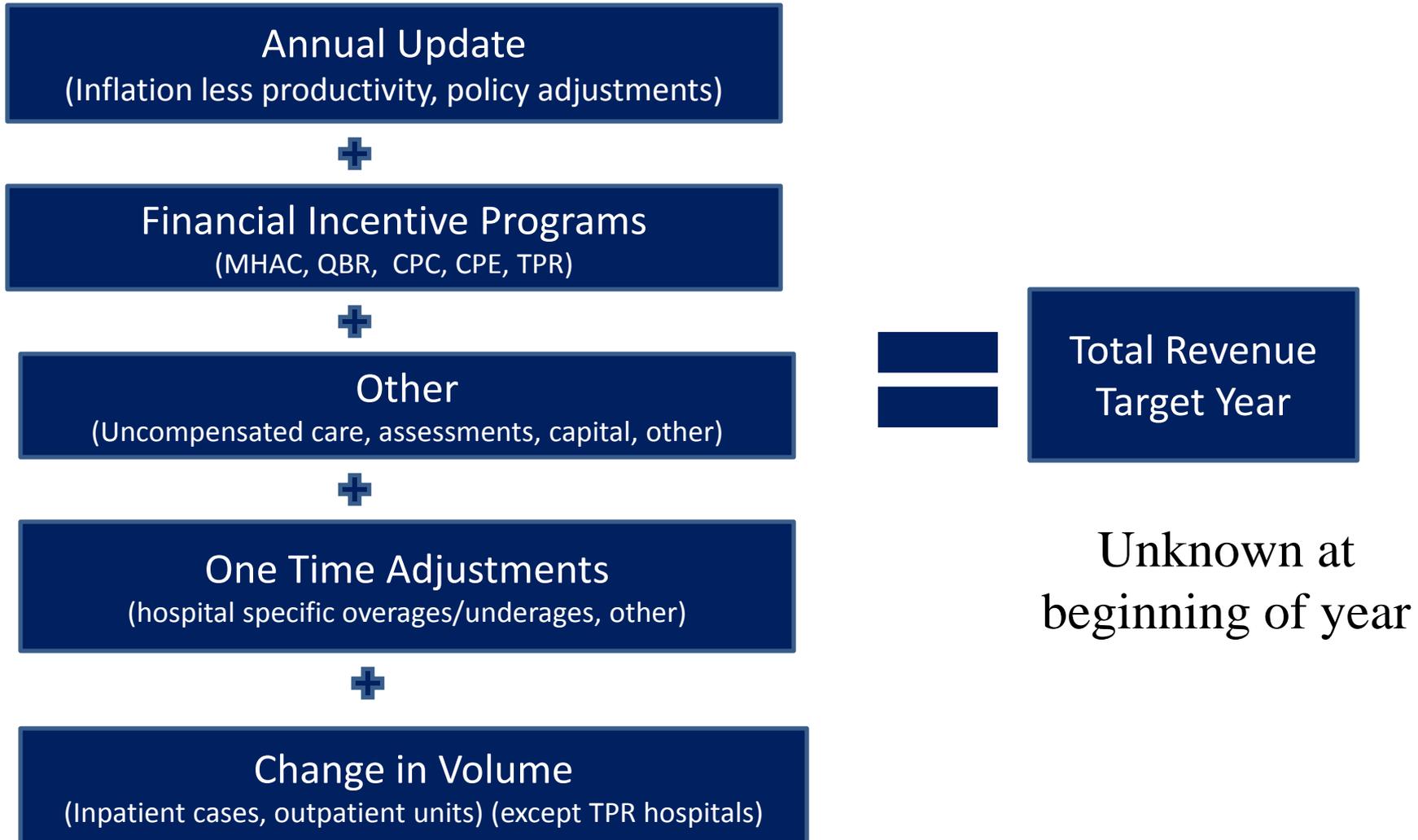
Better health

Lower cost

Priority task: Transition to population/global and patient-centered payment approaches for hospital services

Model Shift

Current system focuses on unit rates and charge per case



Model Shift

New Model focuses on total revenue per capita

Total Actual Revenue Base
Year—Maryland Residents



3.58%
Hard Cap Increase



Population
Increase

Maximum Allowed
Revenue Target Year—
Maryland Residents

Known at the
beginning of year

Example:

Base Revenue	\$ 15.0 Billion
Less: Out of State	\$ 1.2 (Note)
	<u>\$ 13.8</u>
X Hard Cap Increase	3.58%
X Population Increase	0.60%
Target Year Maximum Revenue-Residents	<u><u>\$ 14.4 Billion</u></u>

Out of State Revenue Actual

Note: Subject to HSCRC approved rates

HSCRC Has Core Tools to Drive New Revenue Model

Toolkit for Aligning Hospitals' Financial Incentives

Population Based/Global Payments

Value Based Payment Adjustments

Hospital Rate-Setting

Total Patient Revenue, Global Budgets, Population Based Revenue

Admissions Readmissions Revenue

MHAC and QBR Programs

**Population Health Programs
TBD**

Efficiency Measures (TBD)

Balanced Update Factors

Volume Controls

Reducing Avoidable Volume

Key to Short Term Success

- In order to achieve required Medicare savings and quality improvement requirements and to balance the revenue model, care must be improved through reductions in unplanned utilization:
 - 30- Day Readmissions/Rehospitalizations (includes ER)
 - Other unplanned admissions and preventable admissions (based on AHRQ Prevention Quality Indicators)
 - ER visits that can be treated in other settings
 - Maryland Hospital Acquired Conditions (potentially preventable complications and conditions)

Looking Ahead

- Success will depend on more than hospital payment and care improvement
- Need to align and coordinate with other system changes (Medical homes, ACOs, post acute, HEZ, SIM, etc.)
- Approach needs to encourage innovations in care and efficient delivery
- System investments need to be evaluated in context of community need and other goals
- Accelerated pace of change will require investments in infrastructure and approaches that facilitate change

Call for White Papers/Technical Analysis

First Group (due by 1/10/14)

- 1. Potentially Avoidable Volumes**
- 2. Methods for Monitoring Total Cost of Care**
- 3. Service area/Market share**
- 4. Gain sharing and Other Physician Alignment Models**

Second Group (due date TBD)

5. Attribution
6. Variable Cost Factor
7. Efficiency and Value Measurement
8. Payment for Quality
9. Predictive Models for Uncompensated Care
10. Payment Models for Population-Based/Global Approaches
11. Financing Major Capital Projects