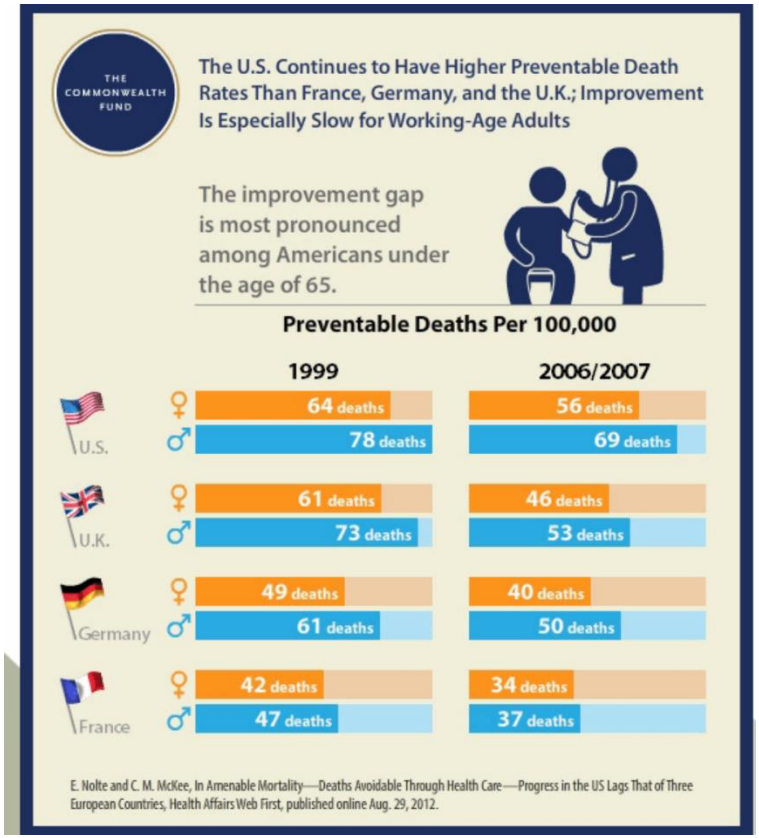
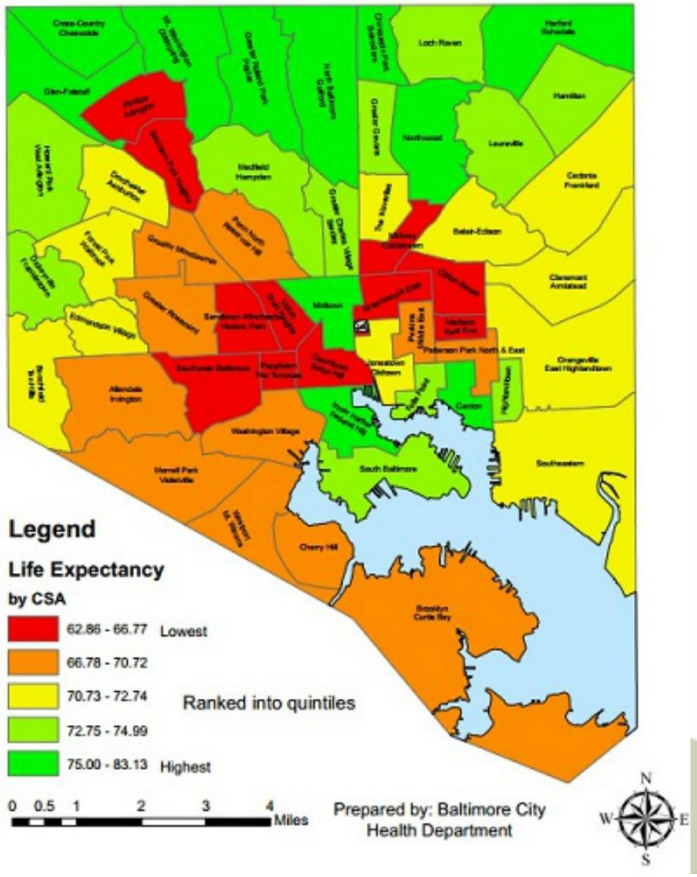
Update on Maryland's All-Payer System

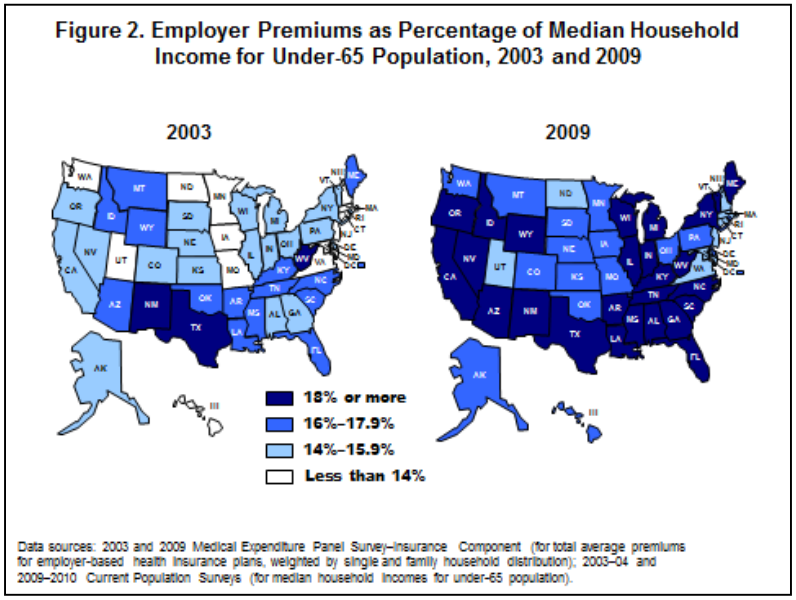
Joshua M. Sharfstein, M.D.
Secretary
Department of Health and Mental Hygiene
October 17, 2013

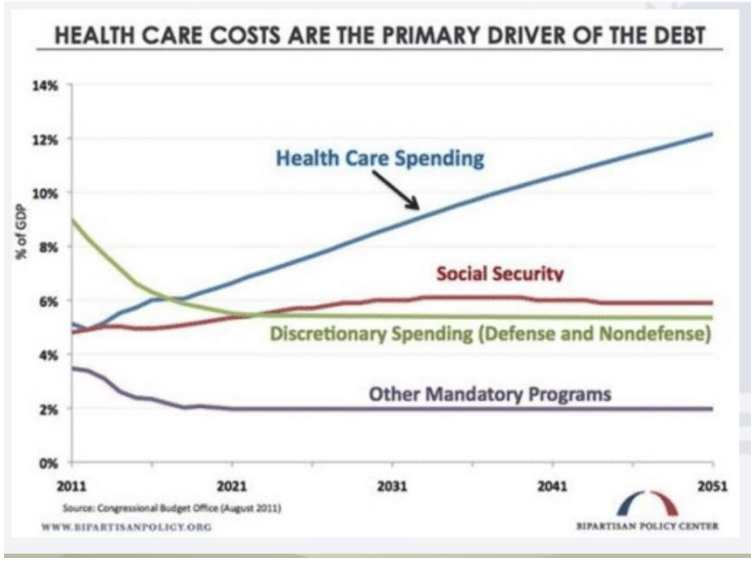
Health Outcomes

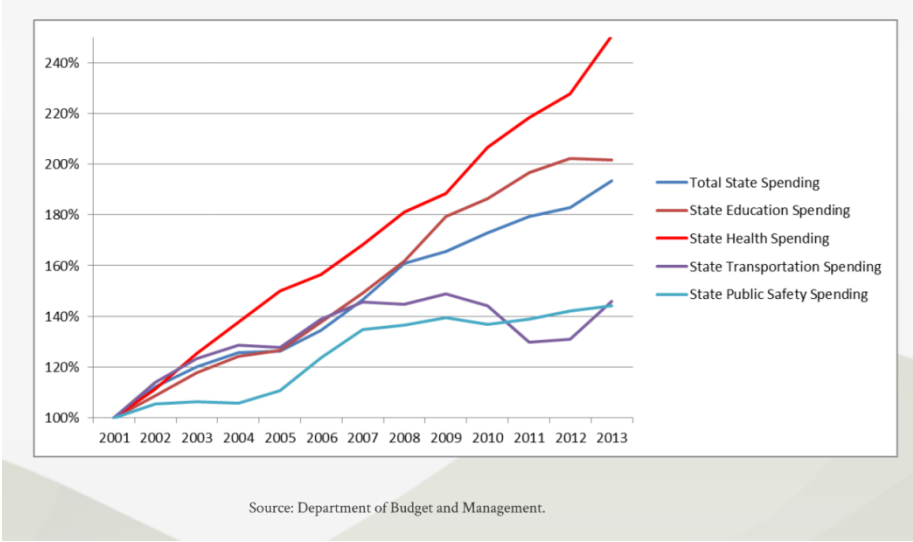




Health Costs







Patient experience

Figure 3.6: Medicare Hospital Readmissions Rates 2011

State	Rate	State Rank
DC	23.60%	1
MD	**21.37%**	**2**
NJ	21.14%	4
NY	20.72%	6
National	19.12%	
PA	19.07%	20
DE	17.86%	30

Source: Institute of Medicine's Geographic Variation Data Request (January 2013 Update)

Maryland's All-Payer System

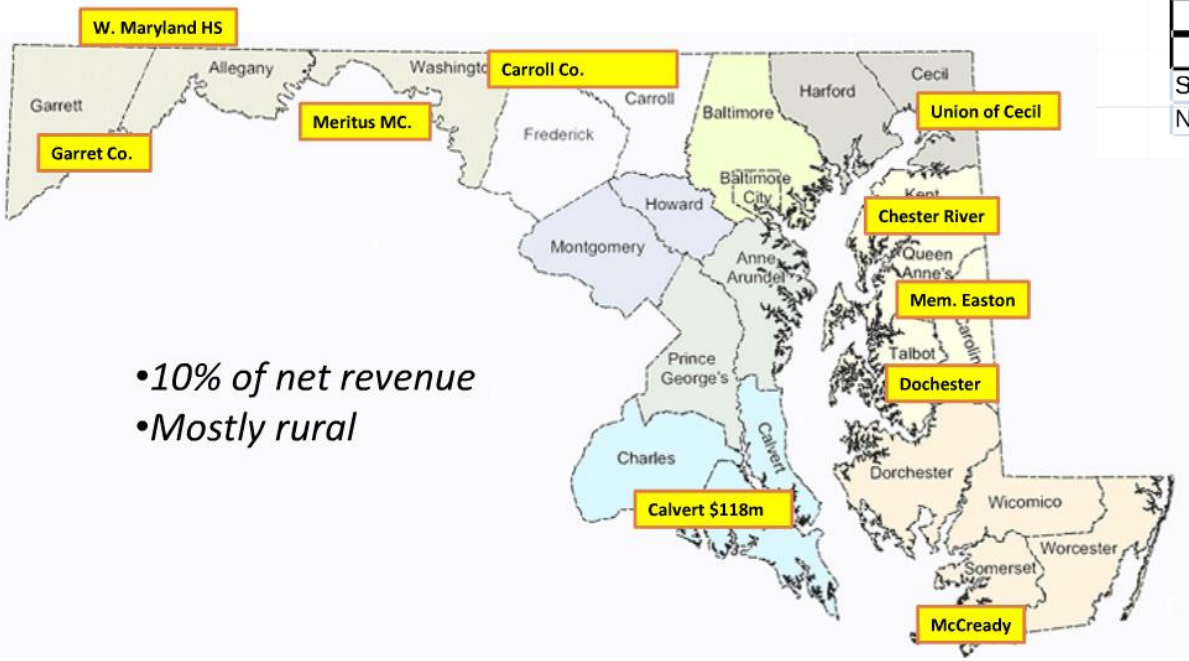
- Since the late 1970s, the independent Health Services Cost Review Commission sets inpatient and outpatient hospital rates for all public and private payers.

- In the last 35 years, Maryland's hospital finance system has:
  - Eliminated cost-shifting among payers
  - Allocated cost of uncompensated care and medical education among all payers
  - Allowed usage of creative of incentives to improve quality and outcomes

Reforming Hospital Payment

- Maryland's current all-payer rate setting system has several limitations
  - Premised on Maryland's ability to constrain per case costs
- Opportunity to rethink whether essential constraint on system should be per case or per capita
- Important experience: Model programs with global budgets

TPR Hospitals



- *10% of net revenue*
- *Mostly rural*

TPR versus non-TPR Hospitals: Before and After TPR Implementation in 2011		
	TPR	**Non-TPR**
Inpatient Admissions		
FY2010	91,672	668,319
FY2013	75,478	608,166
% Change	**-17.7%**	**-9.0%**
Same Hospital Readmissions		
FY2010	9,530	64,842
FY2012	7,729	58,269
% Change	**-18.9%**	**-10.1%**
Avoidable Admissions (PQI90)		
CY2010	11,551	65,517
CY2012	9,593	57,148
% Change	**-17.0%**	**-12.8%**

Source: HSCRC, May 2013.

Note: FY2013 is based on 6 month data and annualized.

ECONOMIC SCENE

Lessons in Maryland for Costs at Hospitals

J.M. Eddins Jr. for The New York Times

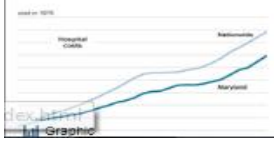
Dawn Snyder, a registered nurse, runs a heart failure clinic at Western Maryland Health System.

By EDUARDO PORTER
Published: August 27, 2013

CUMBERLAND, Md. — This hardscrabble city at the base of the Appalachians makes for an unlikely hotbed of health care innovation.

Economic Scene
Eduardo Porter writes the Economic Scene column for the Wednesday Business section.
Author Bio »
Past Columns »

Multimedia



Yet Western Maryland Health Systems, the major hospital serving this poor and isolated region, is carrying out an experiment that could leave a more profound imprint on the delivery of health care than President Obama's reforms.

Over the last three years, the hospital has taken its services outside its walls. It has opened a diabetes clinic, a wound center and a behavioral health clinic. It has hired people to follow up with older, sicker patients once they are discharged. It has added primary care practices in some neighborhoods.

The goal, seemingly so simple, has so far proved elusive

Maryland's All-Payer Model

Proposal to the Center for Medicare and Medicaid Innovation

Submitted October 11, 2013

Submitted by the Maryland Department of Health and Mental Hygiene

Key Elements

- Shift away from fee for service payment
- Rather than focus on price per case, focus on overall expenditures
  - Aligns incentives for better health for patients
  - Growth of all-payer expenditures capped at gross state product per capita trend
  - Savings to Medicare
- Improved patient experience
  - substantial reduction in readmissions to national average
  - 30% reduction in preventable complications during readmission

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TTY USERS CALL VIA MD RELAY

October 11, 2013

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Secretary Sebelius,

Attached is Maryland's proposal to the Centers for Medicare & Medicaid Services for an unprecedented and innovative model to improve health care outcomes, enhance patient experiences, and control costs across the State.

The proposal builds upon decades of innovation and equity in health care payment and delivery in Maryland by modernizing our all-payer rate setting system for hospital services. We are pursuing fundamental shift away from fee-for-service reimbursement towards health care delivery that emphasizes prevention, quality care, and value.

The model will complement our State's efforts to build an electronic platform for medical records, develop an innovative approach to community health and primary care, and expand access to health insurance through a state-based exchange and Medicaid expansion.

This application has been developed and revised over the past year in coordination with a broad range of stakeholders. In public comments on our revised draft proposal earlier this month, we heard from key organizations, including:

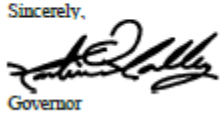
- The Maryland Hospital Association, which supports the revised application in order to "advance our shared goals of a better patient experience of care, improved population health outcomes and care at lower per capita cost";
- Maryland's largest insurer CareFirst, which sees "the proposed new hospital demonstration model as a a viable framework and underpinning of a long-term solution to the State of Maryland's pressing need to successfully control both Medicare and all-payer health care cost growth on a per capita basis";
- Maryland's medical professional society MedChi, which "believes the proposed…application holds great possibility for positive reform that improves both cost trends and quality outcomes";
- The Maryland Community Health System, which "is fully supportive of the systemic changes outlined in the waiver proposal"; and
- The Health Facilities Association of Maryland, which is "hopeful for the success of this important work."

These organizations, and others, all pledged to work together to help the model succeed. Our experience will be valuable to other states and to the Centers for Medicare and Medicaid Services itself.

We respectfully request a prompt review of the proposal, so that we may begin work in 2014.

Thank you and your staff for your support of innovation in confronting some of the most important challenges in health care.

Sincerely,



Governor

Next Steps

- Review by the Centers for Medicare and Medicaid Services
- Final agreement
- Get Started

Thanks to:

- Governor O'Malley, Lt. Governor Brown, legislative leaders
- Key Partners, including
  - Maryland Hospitals
  - Maryland insurers
  - Maryland physicians
  - Maryland long-term care facilities
  - Maryland health advocates
  - Many others