maryland
health services
cost review commission

Draft Revenue for Reform

June 2022

Purpose of Revenue for Reform

Under the Maryland Model, hospitals are supposed to reduce unnecessary utilization in order to 1) meet the Medicare TCOC targets without price cuts; and 2) generate retained revenue to invest in the community.

- The State has been successful under the Model. In addition to generating more than $300 million in annual TCOC savings, hospitals also have in excess of $600 million in retained revenues.
- While the HSCRC closely tracks the model's financial performance, the HSCRC does not know the extent to which hospitals have used retained revenues to invest in the community.
- The draft Revenue 4 Reform policy provides incentives for hospitals to demonstrate their community health investments to the Commission, CMS, and the public at large.

Safe Harbors for Retained Revenues

In order to qualify as a community health investment under the Revenue for Reform policy, hospitals' investments must meet the following criteria:

1. Investments must be made outside of the hospital's walls;
2. Investments must be made in the hospital's service area;
3. Investments must be made in one of the following areas:

Community Health	Spending directed towards an unmet community health need identified in the hospital's Community Health Needs Assessment (CHNA); or is spent on implementing one of the CDC's Healthy People Interventions
Physician Spending	Spending on primary care, mental health providers, and dental providers in a Health Professional Shortage Area or a Medically Underserved Area
Regional Entity	Spending on non-profit entity or funding an existing entity to manage population health programs in geographic service area

Financial Incentives

Revenue for Reform provides two financial incentives for hospitals to invest in the community:

1. Hospitals reduce the magnitude of their efficiency cut under the Integrated Efficiency Policy by demonstrating community health investments.
2. All hospitals will be expected to spend a minimum of 1% of their GBR or 50% of their retained revenues, whichever is greater, on community health investments in RY 2025 or lose those revenues.

REVENUE FOR REFORM POLICY

HSCRC Public Meeting

June 21, 2022

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HOSPITAL FIELD POSITION

1. Decouple retained savings and community investment
2. Recognize hospital investments are consistent with CMMI's message
   - Including investments in physicians to ensure access to care
3. Understand financial reality and magnitude of proposal

SEPARATE RETAINED SAVINGS FROM COMMUNITY INVESTMENT

- Retained savings differ for each hospital
  - HSCRC existing policy tools to address retained savings
  - 50% retained savings not directed to community health needs, as some investments may not reduce service use
- Hospitals do meet community needs – tailor by locality
  - Community benefit report shows substantive spending
  - 2022 report drives deeper focus on specific needs
    - HSCRC and MHA worked to amend legislation requiring specific spending
- Utilization control, total cost of care savings evidence of Model success

HOSPITAL ACTIONS CONSISTENT WITH CMMI GOALS: CMMI COMMENTS AT MHA'S ANNUAL MEETING

- "Drive longitudinal accountability"
  - "Make sure patients get longitudinal primary and specialty care"
  - Cannot pretend that we don't need physicians
- "Maryland is much more connected to the community"
  - All CMMI examples were community case mgmt. – exactly our effort
- "We [CMMI] set the targets and incentives. Hospitals know their populations and decide the best approach."
  - What to achieve, not how to achieve it

CMMI Chief Strategy Officer Purva Rawal and State Models Director Kate Sapra

FINANCIAL REALITY IS DAUNTING

- Mandating minimum spending of 1% of revenues is excessive for hospitals without retained savings
- HSCRC proposing more than 2% of operating expenses is not realistic
  - Recently, more than 50% of hospital operating margins have been negative
- Community / population health measures are long term, requiring stable financing
  - “GBRs work for hospital and payer stability”

APPENDIX

1. COMMUNITY BENEFIT SPENDING TREND
2. NEW COMMUNITY BENEFIT REPORTING REQUIREMENTS
3. CMMI PATIENT EXAMPLES

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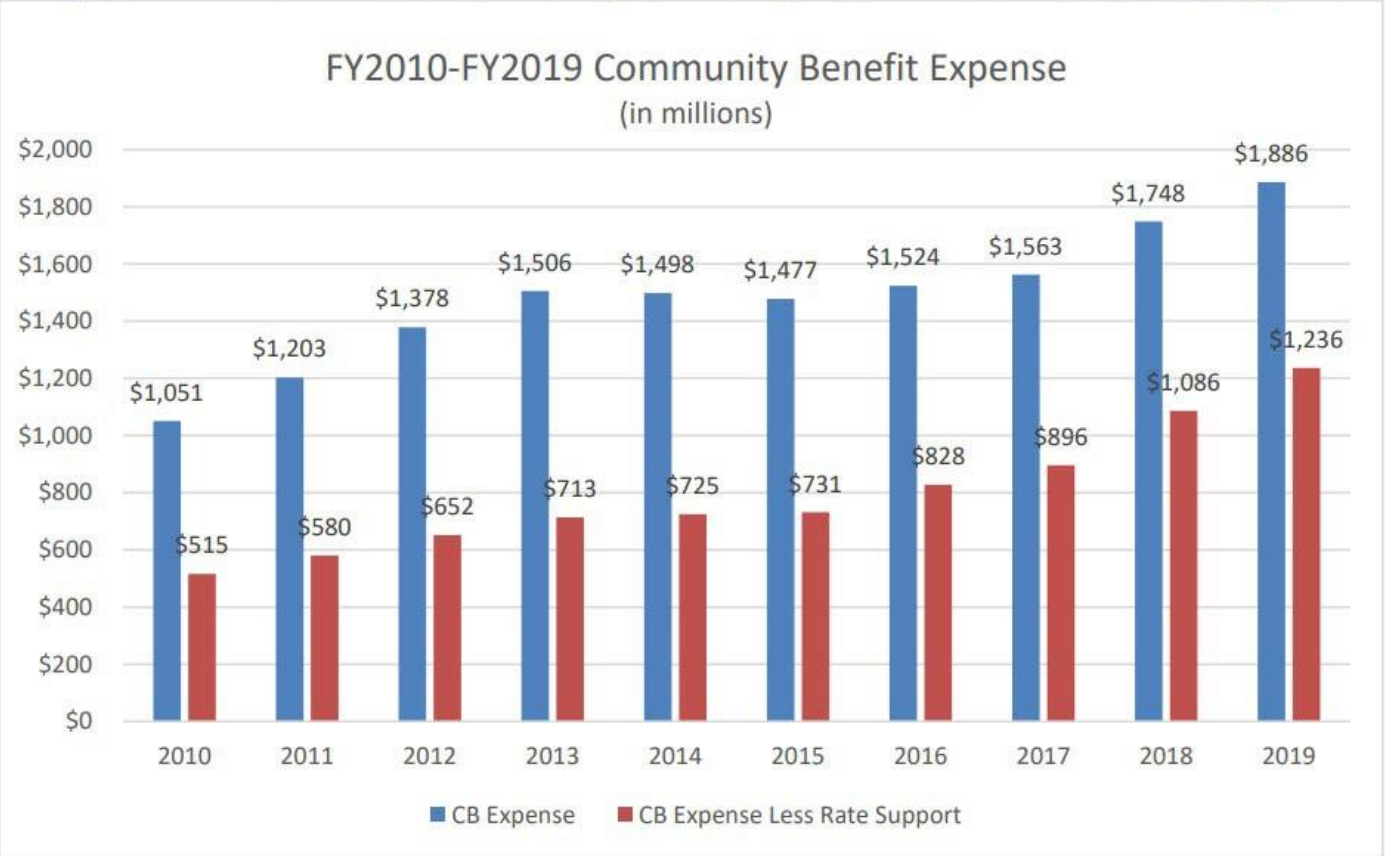
NET COMMUNITY BENEFIT: 2010-2019

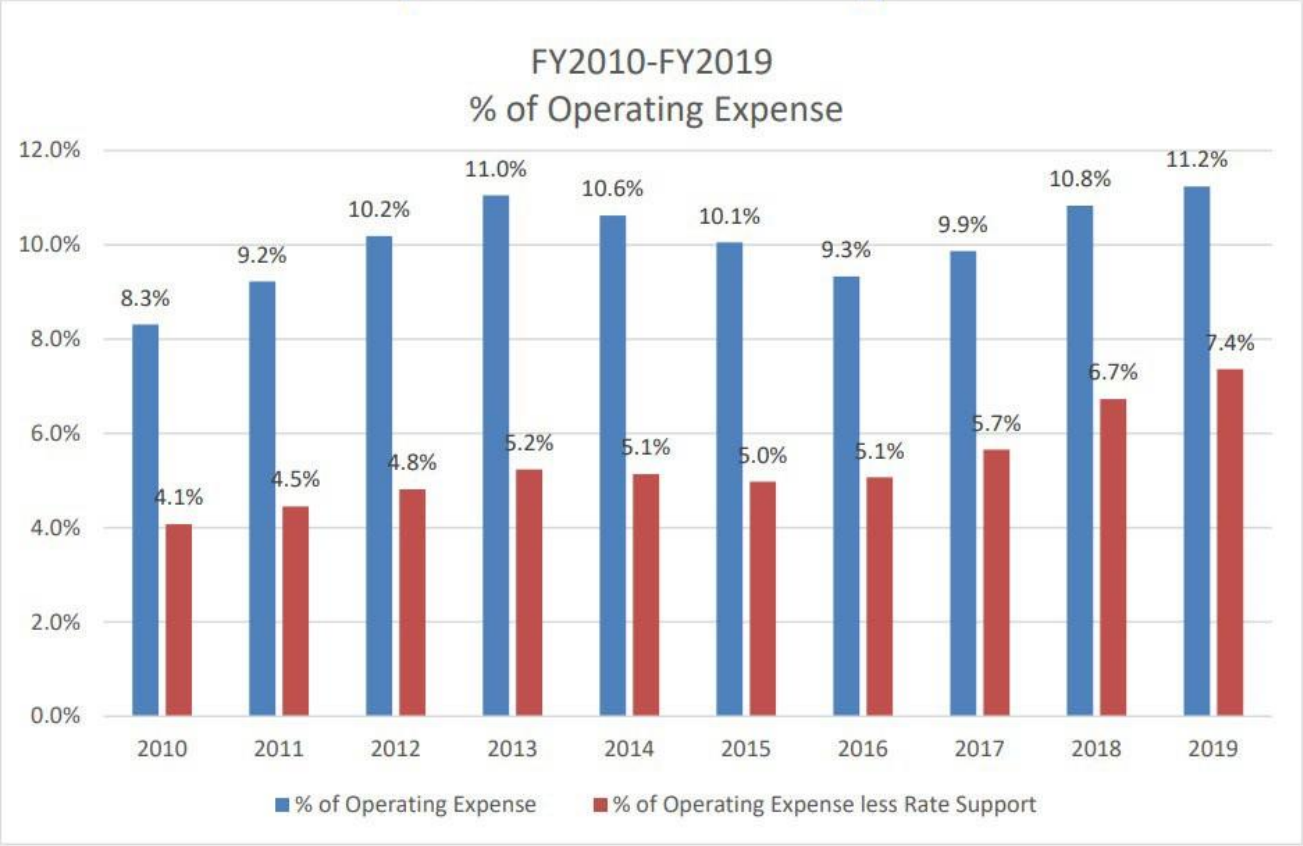
Figure 7. FY 2010 – FY 2019 Community Benefit Expenses with and without Rate Support



Source: https://hscrc.maryland.gov/Documents/HSCRC_Initiatives/CommunityBenefits/CBR-FY19/FY%202019%20Community%20Benefit%20Report%20FINAL.pdf

NET COMMUNITY BENEFIT AS A PERCENTAGE OF OPERATING EXPENSES

Figure 8. FY 2010 – FY 2019 Community Benefit Expenses as a Percentage of Operating Expenses with and without Rate Support



Source: https://hscrc.maryland.gov/Documents/HSCRC_Initiatives/CommunityBenefits/CBR-FY19/FY%202019%20Community%20Benefit%20Report%20FINAL.pdf

COMMUNITY BENEFIT 2022 REQUIREMENT: CHNA PRIORITYAREAS

Reporting on this sheet is optional for FY2021. It will be required for FY2022.This sheet should itemize all programs, initiatives and activities related to CHNA Priority Areas and underlying goals. Staff completing this sheet should ensure that the the initiatives are broken out from the overview sheet and can be tracked via the Community Benefit Category and Subcategory columns. All CHNA-related programs should be categorized into this sheet if they are claimed as a Community Benefit , per the reporting guidelines. Select the CHNA Priority Category that best matches your CHNA. Add additional rows for each Priority Area in your CHNA.

CHNA Priority Area (Category)	CHNA Priority Area	Goal and/or CHNA Objective	CHNA Initiative(s)	Community Benefit Category	Community Benefit Subcategory (if applicable)	DIRECT COST($)	INDIRECT COST($)	HSCRC GRANTS/RATE SUPPORT ($)	OTHER OFFSETTING REVENUE($)	NET COMMUNITY BENEFIT
Health Conditions - Addiction		**Goal #1 [State Goal]**	CHNA Initiative Name	Community Building Activities	CBA - Coalition Building					$0.00

COMMUNITY BENEFIT 2022 REQUIREMENT: PHYSICIAN SUBSIDIES

Reporting on this sheet is optional for FY2021. It will be required for FY2022.This sheet should itemize all programs, initiatives and activities related to CHNA Priority Areas and underlying goals. Staff completing this sheet should ensure that the the initiatives are broken out from the overview sheet and can be tracked via the Community Benefit Category and Subcategory columns. All CHNA-related programs should be categorized into this sheet if they are claimed as a Community Benefit , per the reporting guidelines. Select the CHNA Priority Category that best matches your CHNA. Add additional rows for each Priority Area in your CHNA.

Itemized List of PhysicianType/Specialty Subsidized	Subsidy Type	DIRECT COST($)	INDIRECT COST($)	HSCRC GRANTS/RATE SUPPORT	OTHER OFFSETTING REVENUE($)	NET COMMUNITY BENEFIT
	Physician Recruitment to Meet Community Need					$0.00
	Physician Recruitment to Meet Community Need					$0.00
	Non-Resident House Staff and Hospitalists					$0.00
	Physician Recruitment to Meet Community Need					$0.00
	Physician Recruitment to Meet Community Need					$0.00

CMMI PATIENT EXPERIENCE EXAMPLE (1 OF 3)

Shared by a Safety Net Provider Participant

- **Beneficiary:**
  - 69-year-old African American Male with multiple chronic conditions (e.g., diabetes, heart failure), multiple ED visits
- **Care Strategy:**
  - Monthly in-home visits with a dedicated Nurse Practitioner and Social Worker;
  - Given scale to monitor weight
  - Education on appropriate use of ED
- **Outcome:**
  - Better follow up with primary care provider
  - Improved management of chronic condition
  - Decrease in ED visits

"Having this program has helped save my life"

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CMMI PATIENT EXPERIENCE EXAMPLE (2 OF 3)

Shared by a "Standard" Participant

- **Beneficiary:**
  - Homebound, chronically ill, with daughters making decisions due to mental health status
- **Care Strategy:**
  - Monthly nurse care management calls with daughters on behalf of patient;
  - Daughter contacted nurse because father had abscessed tooth and could not find a dentist; nurse assisted and found a dentist to come to the home
- **Outcome:**
  - Beneficiary had procedure at home and recovered

Daughter expressed how much this program has helped her dad and her family and wants the nurse to keep calling

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CMMI PATIENT EXPERIENCE EXAMPLE (3 OF 3)

Shared by a "New Entrant" Participant

- **Beneficiary:**
  - 90-year-old, homebound, with multiple chronic conditions and requires assistance for activities of daily living; increasingly more depressed and anxious, with insomnia, poor appetite and shortness of breath
- **Care Strategy:**
  - In-person home visits, telemedicine visits, and quick phone visits conducted by two providers and a community health worker;
  - Addressed reluctance to depression medication and therapy, including helping him find a language concordant therapist, as well as hearing aid batteries and help with SSI benefits
- **Outcome:**
  - Avoided an ED visit by providing more intensive monitoring and support and building trust with patient to address his underlying condition

Fostered stronger relationship with patient and his family to work together to address his health and well being

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