

STATE OF MARYLAND
DEPARTMENT OF HEALTH AND MENTAL HYGIENE



John M. Colmers
Chairman

Herbert S. Wong, Ph.D.
Vice-Chairman

Joseph R. Antos, Ph.D.

George H. Bone, M.D.

Jack C. Keane

Bernadette C. Loftus, M.D.

Thomas R. Mullen

Patrick Redmon, Ph.D.
Executive Director

Stephen Ports
Principal Deputy Director
Policy and Operations

Gerard J. Schmith
Deputy Director
Hospital Rate Setting

Mary Beth Pohl
Deputy Director
Research and Methodology

HEALTH SERVICES COST REVIEW COMMISSION

4160 Patterson Avenue, Baltimore, Maryland 21215

Phone: 410-764-2605 · Fax: 410-358-6217

Toll Free: 1-888-287-3229

www.hsrcr.state.md.us

**486th MEETING OF THE HEALTH SERVICES COST REVIEW COMMISSION
March 7, 2012**

EXECUTIVE SESSION

1:00 p.m.

1. Waiver Issues

**PUBLIC SESSION OF THE
HEALTH SERVICES COST REVIEW COMMISSION
1:45 p.m.**

**1. Review of the Executive Session and Public Meeting Minutes of the February 1,
2012 Meeting**

2. Executive Director's Report

3. Docket Status – Cases Closed

2146A – Johns Hopkins Health System

2147A – Johns Hopkins Health System

2148N – Mt. Washington Pediatric Hospital

4. Docket Status – Cases Open

2149A – Johns Hopkins Health System

2150A – Johns Hopkins Health System

2151A – Johns Hopkins Health System

2152A – Johns Hopkins Health System

2153N – Anne Arundel Medical Center

2154A – Johns Hopkins Health System

2155A – University of Maryland Medical System

2156A – University of Maryland Medical System

- 5. Final Recommendation regarding Proposed Changes to NSPII Policies from the Maryland Higher Education Commission**
- 6. Draft Recommendation on Medicare Waiver Margin Trends, Drivers, and Options**
- 7. Legal Report**
- 8. Hearing and Meeting Schedule**

H.S.C.R.C's CURRENT LEGAL DOCKET STATUS (OPEN)

AS OF FEBRUARY 23, 2012

A: PENDING LEGAL ACTION : NONE
 B: AWAITING FURTHER COMMISSION ACTION: NONE
 C: CURRENT CASES:

Docket Number	Hospital Name	Date Docketed	Decision Required by:	Rate Order Must be Issued by:	Purpose	Analyst's Initials	File Status
2149A	The Johns Hopkins Health System	12/6/2011	N/A	N/A	ARM	DNP	OPEN
2150A	The Johns Hopkins Health System	12/6/2011	N/A	N/A	ARM	DNP	OPEN
2151A	The Johns Hopkins Health System	12/6/2011	N/A	N/A	ARM	DNP	OPEN
2152A	The Johns Hopkins Health System	12/6/2011	N/A	N/A	ARM	DNP	OPEN
2153N	Anne Arundel Medical Center	1/31/2012	3/1/2012	6/29/2012	HYP	CK	OPEN
2154A	The Johns Hopkins Health System	2/2/2012	N/A	N/A	ARM	DNP	OPEN
2155A	University of Maryland Medical System	2/23/2012	N/A	N/A	ARM	DNP	OPEN
2156A	University of Maryland Medical System	2/23/2012	N/A	N/A	ARM	DNP	OPEN

PROCEEDINGS REQUIRING COMMISSION ACTION - NOT ON OPEN DOCKET

**IN RE: THE APPLICATION FOR
ALTERNATIVE METHOD OF RATE
DETERMINATION
JOHNS HOPKINS HEALTH
SYSTEM
BALTIMORE, MARYLAND**

*** BEFORE THE MARYLAND HEALTH
* SERVICES COST REVIEW
* COMMISSION
* DOCKET: 2011
* FOLIO: 1959
* PROCEEDING: 2149A**

Staff Recommendation

March 7, 2012

I. INTRODUCTION

Johns Hopkins Health System (“System”) filed an application with the HSCRC on December 6, 2011 on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the “Hospitals”) for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The System requests approval from the HSCRC for participation in a renegotiated global rate arrangement for solid organ and bone marrow transplants with United Resources Networks/Optum Health, a division of United HealthCare Services, for a period of one year beginning December 1, 2011.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Johns Hopkins HealthCare, LLC (“JHHC”), which is a subsidiary of the System. JHHC will manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC

maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear risk of potential losses.

V. STAFF EVALUATION

The staff reviewed the experience under this arrangement for the last year and found it to be favorable. After review of the contract, staff believes that the Hospitals can achieve a favorable experience under this amended arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission: 1) waive the requirement that alternative applications be filed 30 days before the proposed effective date; 2) approve the Hospitals' application for an alternative method of rate determination for solid organ and bone marrow transplant services for a one year period commencing December 1, 2011. The Hospitals will need to file a renewal application for review to be considered for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**IN RE: THE APPLICATION FOR
ALTERNATIVE METHOD OF RATE
DETERMINATION
JOHNS HOPKINS HEALTH
SYSTEM
BALTIMORE, MARYLAND**

*** BEFORE THE MARYLAND HEALTH
* SERVICES COST REVIEW
* COMMISSION
* DOCKET: 2011
* FOLIO: 1960
* PROCEEDING: 2150A**

Staff Recommendation

March 7, 2012

I. INTRODUCTION

Johns Hopkins Health System (the "System") filed an application with the HSCRC on December 6, 2011 on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the Hospitals') for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The System requests approval from the HSCRC to continue to participate in a renegotiated global rate arrangement for solid organ and bone marrow transplants with Coventry Transplant Network for one year beginning January 1, 2012.

II. OVERVIEW OF APPLICATION

The contract will be continue to be held and administered by Johns Hopkins HealthCare, LLC ("JHHC"), which is a subsidiary of the System. JHHC will manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating the mean historical charges for patients receiving the procedures for which global rates are to be paid. The contract also has a stop loss clause. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains that it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear risk of potential losses.

V. STAFF EVALUATION

Based on the favorable performance in the last year, staff believes that the Hospitals can continue to achieve a favorable experience under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission: 1) waive the requirement that alternative applications be filed 30 days before the proposed effective date; 2) approve the Hospitals' application for an alternative method of rate determination for solid organ and bone marrow transplant services, for a one year period commencing January 1, 2012. The Hospitals will need to file a renewal application for review to be considered for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**IN RE: THE APPLICATION FOR
ALTERNATIVE METHOD OF RATE
DETERMINATION
JOHNS HOPKINS HEALTH
SYSTEM
BALTIMORE, MARYLAND**

*** BEFORE THE MARYLAND HEALTH
* SERVICES COST REVIEW
* COMMISSION
* DOCKET: 2011
* FOLIO: 1961
* PROCEEDING: 2151A**

Staff Recommendation

March 7, 2012

I. INTRODUCTION

On December 6, 2011, Johns Hopkins Health System (“System”) filed an alternative rate application on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the “Hospitals”) requesting approval from the HSCRC to continue to participate in a global rate arrangement with the Canadian Medical Network for cardiovascular procedures and global rates for kidney transplant services and to add bone marrow transplants to the arrangement going forward. The Hospitals request that the Commission approve the revised arrangement for one year beginning December 1, 2011.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by Johns Hopkins HealthCare, LLC (“JHHC”), which is a subsidiary of the System. JHHC will continue to manage all financial transactions related to the global price contract including payments to the Hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will continue to submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the

Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear the risk of potential losses.

V. STAFF EVALUATION

Staff finds that the actual experience for cardiovascular services and kidney transplants under the arrangement for the last year has been favorable. After further review, staff found that the hospital portion of the new global rates for bone marrow transplant services was based on hospital experience data utilized to develop global rates for other successful bone marrow transplant arrangements.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission: 1) waive the requirement that alternative rate applications be filed 30 days before the proposed effective date; 2) approve the Hospitals' application for an alternative method of rate determination for cardiovascular procedures, kidney transplant services, and bone marrow transplant services for one year beginning December 1, 2011. The Hospitals must file a renewal application annually for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document will formalize the understanding between the Commission and the Hospitals, and will include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**IN RE: THE APPLICATION FOR
ALTERNATIVE METHOD OF RATE
DETERMINATION
JOHNS HOPKINS HEALTH
SYSTEM
BALTIMORE, MARYLAND**

*** BEFORE THE MARYLAND HEALTH
* SERVICES COST REVIEW
* COMMISSION
* DOCKET: 2011
* FOLIO: 1962
* PROCEEDING: 2152A**

Staff Recommendation

March 7, 2012

I. INTRODUCTION

Johns Hopkins Health System (the "System") filed an application with the HSCRC on December 6, 2011 on behalf of its member hospitals, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, and Howard County General Hospital (the Hospitals), requesting approval to continue to participate in a global price arrangement with Aetna Health, Inc. for solid organ and bone marrow transplant services. The Hospitals request that the Commission approve the arrangement for one year beginning January 1, 2012.

II. OVERVIEW OF APPLICATION

The contract will be held and administered by Johns Hopkins HealthCare, LLC ("JHHC"), which is a subsidiary of the System. JHHC will continue to manage all financial transactions related to the global price contract including payments to the System hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates was developed by calculating mean historical charges for patients receiving the procedures for which global rates are to be paid. The remainder of the global rate is comprised of physician service costs. Additional per diem payments calculated for cases that exceed a specific length of stay outlier threshold were similarly adjusted.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear risk of potential losses.

V. STAFF EVALUATION

The staff found that the actual experience under the prior arrangement for the last year's solid organ transplants has been favorable. In addition, after review of the data, staff is confident that the global prices for bone marrow transplant services are sufficient to enable the Hospitals to achieve a favorable result.

VI. STAFF RECOMMENDATION

Staff recommends that the Commission: 1) waive the requirement that alternative applications be filed 30 days before the proposed effective date; 2) approve the Hospitals' application for an alternative method of rate determination for solid organ and bone marrow transplant services for a one year period beginning January 1, 2012. The Hospitals must file a renewal application annually for continued participation.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

IN RE: THE PARTIAL RATE	*	BEFORE THE HEALTH SERVICES
APPLICATION OF THE	*	COST REVIEW COMMISSION
ANNE ARUNDEL	*	DOCKET: 2012
MEDICAL CENTER	*	FOLIO: 1963
ANNAPOLIS, MARYLAND	*	PROCEEDING: 2153N

Staff Recommendation

March 7, 2012

Introduction

On January 31, 2012, Anne Arundel Medical Center (“Hospital”) submitted a partial rate application to the Commission requesting a rate for Hyperbaric Chamber (HYP) services. The Hospital is requesting the lower of a per hour of treatment rate based on its costs and volumes, or a per hour of treatment based on the statewide median for this service. The effective date for this service is March 1, 2012.

Staff Evaluation

To determine if the Hospital’s HYP rate should be set at the statewide median or at a rate based on its own cost experience, the staff requested that the Hospital submit to the Commission all cost and statistical data for HYP services for FY 2012. Based on information received, it was determined that the HYP rate based on the Hospital’s actual data would be \$392.76 per hour of treatment, while the statewide median rate for HYP services is \$290.23 per hour of treatment.

Recommendation

After reviewing the Hospital’s application, the staff recommends as follows:

1. That COMAR 10.37.10.07 requiring that rate applications be filed 60 days before the opening of a new service be waived;
2. That an HYP rate of \$290.23 per hour of treatment be approved effective March 1, 2012;
3. That no change be made to the Hospital’s charge per case standard for HYP services; and
4. That the HYP rate not be rate realigned until a full year’s cost experience data have been reported to the Commission.

**IN RE: THE APPLICATION FOR
ALTERNATIVE METHOD OF RATE
DETERMINATION
JOHNS HOPKINS HEALTH
SYSTEM
BALTIMORE, MARYLAND**

*** BEFORE THE MARYLAND HEALTH
* SERVICES COST REVIEW
* COMMISSION
* DOCKET: 2012
* FOLIO: 1964
* PROCEEDING: 2154A**

Staff Recommendation

March 7, 2012

I. INTRODUCTION

Johns Hopkins Health System (the "System") filed an application with the HSCRC on February 2, 2012 on behalf of Johns Hopkins Hospital and Johns Hopkins Bayview Medical Center (the "Hospitals") for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The System requests approval from the HSCRC for participation in an updated global rate arrangement for cardiovascular procedures with Quality Health Management for a period of one year beginning March 1, 2012.

II. OVERVIEW OF APPLICATION

The contract will be held and administered by Johns Hopkins HealthCare, LLC ("JHHC"), which is a subsidiary of the System. JHHC will manage all financial transactions related to the global price contract including payments to the Hospitals and bear all risk relating to regulated services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the updated global rates was developed by calculating mean historical charges for patients receiving the particular cardiovascular procedures at the Hospitals. The remainder of the global rate is comprised of physician service costs. Additional per diem payments were calculated for cases that exceed a specific length of stay outlier threshold.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospitals will submit bills to JHHC for all contracted and covered services. JHHC is responsible for billing the payer, collecting payments, disbursing payments to the Hospitals at their full HSCRC approved rates, and reimbursing the physicians. The System contends that the arrangement among JHHC, the Hospitals, and the physicians holds the Hospitals harmless from any shortfalls in payment from the global price contract. JHHC maintains it has been active in similar types of fixed fee contracts for several years, and that JHHC is adequately capitalized to bear the risk of potential losses.

V. STAFF EVALUATION

Although there has been no activity under this arrangement, the format utilized to calculate the updated case rate, i.e., historical data for like cases, has been utilized as the basis for other successful cardiovascular arrangements in which the Hospitals are currently participating. Staff believes that the Hospitals can achieve a favorable experience under this arrangement.

VI. STAFF RECOMMENDATION

The staff recommends that the Commission: 1) waive the requirement that alternative applications be filed 30 days before the proposed effective date; 2) approve the Hospitals' application for an alternative method of rate determination for cardiovascular services for a one year period commencing March 1, 2012. The Hospitals will need to file a renewal application for review to be considered for continued participation. Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospitals for the approved contract. This document would formalize the understanding between the Commission and the Hospitals, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**IN RE: THE APPLICATION FOR
ALTERNATIVE METHOD OF RATE
DETERMINATION
UNIVERSITY OF MARYLAND
MEDICAL CENTER
BALTIMORE, MARYLAND**

*** BEFORE THE MARYLAND HEALTH
* SERVICES COST REVIEW
* COMMISSION
* DOCKET: 2012
* FOLIO: 1966
* PROCEEDING: 2156A**

Staff Recommendation

March 7, 2012

I. INTRODUCTION

On February 23, 2012, the University of Maryland Medical Center (“UMMC,” or the “Hospital”) filed an application with the Commission for an alternative method of rate determination, pursuant to COMAR 10.37.10.06. The Hospital has requested approval to continue to participate in a global rate arrangement with the Gift of Life Foundation (GOL) for the collection of bone marrow and peripheral blood stem cells from GOL on an outpatient basis, donors to facilitate Hematopoietic Stem Cell transplants into unrelated GOL recipients. The Hospital seeks approval of the arrangement for one year beginning April 1, 2012.

II. OVERVIEW OF APPLICATION

The contract will continue to be held and administered by University Physicians, Inc. (“UPI”), which is a subsidiary of the University of Maryland Medical System. UPI will manage all financial transactions related to the global price contract including payments to the Hospital and bear all risk relating to services associated with the contract.

III. FEE DEVELOPMENT

The hospital portion of the global rates for the collection of bone marrow and peripheral blood stem cells has been updated and is based on actual experience for cases performed at UMMC. The remainder of the global rates comprised of physician services has been negotiated with the participating physician group.

IV. IDENTIFICATION AND ASSESSMENT OF RISK

The Hospital will continue to submit bills to UPI for all contracted and covered services. UPI will continue to be responsible for billing the payer, collecting payments, reimbursing physicians, and disbursing payments to the Hospital at its full HSCRC approved rates. The Hospital contends that the arrangement between UPI and the Hospital holds the Hospital harmless from any shortfalls in payment from the global price contract.

V. STAFF EVALUATION

Staff found that the Hospital's experience under this arrangement for the last year was favorable.

VI. STAFF RECOMMENDATION

After reviewing the revised global rates and recognizing the efforts to reduce hospital charges through utilization reduction, staff recommends that the Commission approve the Hospital's request for an alternative method of rate determination for the collection of bone marrow and peripheral stem cells for one year commencing April 1, 2012. UMMC will be required to file a renewal application for review to be considered for continued participation in the arrangement.

Consistent with its policy paper regarding applications for alternative methods of rate determination, the staff recommends that this approval be contingent upon the execution of the standard Memorandum of Understanding ("MOU") with the Hospital for the approved contract. This document would formalize the understanding between the Commission and the Hospital, and would include provisions for such things as payments of HSCRC-approved rates, treatment of losses that may be attributed to the contract, quarterly and annual reporting, confidentiality of data submitted, penalties for noncompliance, project termination and/or alteration, on-going monitoring, and other issues specific to the proposed contract. The MOU will also stipulate that operating losses under the contract cannot be used to justify future requests for rate increases.

**Nurse Support Program II
Statewide Initiatives Modifications**

Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215
410-764-2605

March 7, 2012

This is a final recommendation. We have noted revisions from the draft recommendation within this document.

Purpose

This is a recommendation to modify several Nurse Support Program II (NSP II) Statewide Initiatives, last approved by the Commission on December 9, 2009. The proposed modifications, as suggested by the NSP II administrators at the Maryland Higher Education Commission (MHEC), strengthen the NSP II Statewide Initiatives by better supporting nursing faculty development.

The proposed modifications do not alter the percentage of gross patient revenue contributed to NSP II (i.e., the dollars funded for NSP II remain unchanged by these modifications). Additionally, the proposed modifications do not change the Competitive Institutional Grants component of NSP II.

Background

The Health Services Cost Review Commission (HSCRC) approved the creation of NSP II on May 4, 2005, in order to alleviate the critical shortage of qualified nurses in Maryland by expanding the capacity of Maryland nursing schools with specific attention to educating nurses to become faculty members. The program is funded for up to ten years by a 0.1 percent increase to regulated gross inpatient revenue. NSP II focuses on expanding the capacity to educate nurses through two components, Competitive Institutional Grants and Statewide Initiatives.

The HSCRC contracts with MHEC to administer NSP II. MHEC's duties include developing applications and guidelines, overseeing the review and selection of applicants, conducting site visits, and monitoring and evaluating NSP II. MHEC provides the programmatic and administrative support necessary for the successful administration of the NSP II program.

Recommended Modifications to NSP II Statewide Initiatives

Based on recommendations by MHEC staff, HSCRC staff recommends the following modifications to the NSP II authorized Statewide Initiatives:

- *Graduate Nursing Faculty Scholarships*

Graduate Nursing Faculty Scholarships are available to eligible students who are sponsored by Maryland higher education institutions to complete the graduate education necessary to become qualified nursing faculty at Maryland institutions. A service obligation is attached to the scholarships.

- Currently the annual maximum scholarship is \$13,000. We recommend modifying the annual maximum award per graduate student to be the amount for tuition and fees at the student's Maryland institution.
- Currently a scholarship may be awarded only for two years. As nursing institutions are moving toward doctoral-degreed faculty, we recommend removing time limitations around this award to accommodate graduate students pursuing doctoral degrees.
- Several Maryland institutions have developed nursing education certificates. This credential augments master's degree prepared students whose studies did not include nursing pedagogy, curriculum development and testing, which undergird sound teaching methods. We recommend authorizing Graduate Nursing Faculty Scholarships to eligible graduate students pursuing nursing education certificates.

- To commemorate Dr. Harold Cohen's ardent support of NSP and nursing in Maryland, HSCRC staff recommends naming the Graduate Nursing Faculty Scholarships, "The Hal and Jo Cohen Graduate Nursing Faculty Scholarships Program."

- *Living Expense Grants*

Living Expense Grants are currently awarded to those recipients of the Graduate Nursing Faculty Scholarship who show need through submission of financial documents. Over the past several years, MHEC has awarded twice as many dollars for Living Expense Grants than dollars through the Graduate Nursing Faculty Scholarships. Based on feedback from MHEC staff with input from MHEC's Schools/Programs of Nursing Dean, Director, Department Head meeting group, HSCRC staff recommends MHEC rebalance the Living Expense Grants component of NSP II by first awarding tuition dollars (Graduate Nursing Faculty Scholarships) for eligible applications and subsequently awarding Living Expense Grants. Rebalancing Living Expense Grants reestablishes tuition coverage as the primary use for NSP II Statewide Initiative funds.

Revised
from draft

- *New Nursing Faculty Fellowships* - We suggest no changes to this initiative.
- *Loan Assistance Repayment Program (through the Janet L. Hoffman Loan Assistance Repayment Program)*

The Janet L. Hoffman Loan Assistance Repayment Program is a separate program from NSP II. We recommend removing the language regarding loan assistance from the HSCRC's NSP II recommendation.

- *Doctoral Dissertation Research Grant*

As nursing education moves toward more doctoral-degreed faculty, HSCRC staff recommends adding authorization for doctoral dissertation support.

Note, that in addition to these recommendations to the HSCRC, MHEC is recommending to their Commission a number of program modifications, including new applications and guidelines (including application timelines) and additional monitoring processes. MHEC may also place parameters around the authorized initiatives to manage NSP II within the program dollars (e.g., MHEC may set maximum dollars awarded for a scholarship in a given year).

Anticipated Impact of Recommended Changes

HSCRC and MHEC staff anticipate that the recommended modifications to the NSP II Statewide Initiatives will facilitate better preparation of graduate students for teaching and faculty nursing positions in Maryland higher education institutions, including the preparation of more doctoral students. Prioritization of scholarship funding over the living expense grant will provide the financial assistance most needed by nursing graduate students. The scholarship funding carries a service obligation which better addresses the State's need for doctoral trained faculty and provides stronger accountability for the expenditure of funds.

Section
added

Comment Letters

HSCRC staff has received five letters, all supporting this recommendation. We have attached the letters to this recommendation.

Comment Letters

From: Batturs, Beth [<mailto:babatturs@aacc.edu>]

Sent: Tuesday, February 28, 2012 10:53 AM

To: Oscar Ibarra

Subject: support



Good morning Oscar, I just wanted to express my strong support for the changes to the NSP 2 Statewide Initiatives, related to graduate education support. The deans and directors were able to give feedback and input into Peggy Daw's proposal and these changes will have a direct positive impact for nurses continuing their education in Maryland. If you need further information, please don't hesitate to call.

Beth Anne Batturs Martin, RN, MSN
Director of Nursing and Healthcare Initiatives
Anne Arundel Community College
410-777-7352



Academic Affairs

School of Nursing
525 North Wolfe Street
Baltimore MD 21205-2110

February 29, 2012

**Mr. Oscar Ibarra
Chief, Information Management and Program Administration
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215**

To the members of the Health Resources Cost Review Commission:

On behalf of The Johns Hopkins University School of Nursing, we are pleased to support the recommendation to modify several Nurse Support Program II (NSP II) Statewide Initiatives. As noted in the purpose of the recommendations, these proposed modifications will strengthen the NSP II Statewide Initiatives by better supporting nursing faculty involvement. We support all of these recommendations but wish to speak specifically to the recommendation that Graduate Nursing Faculty Scholarships be available to eligible graduate students pursuing certificates in nursing education.

At JHU SON we offer a 12 credit online certificate in nursing education. Many of our Masters and doctoral students enroll in this certificate option (NECO) and complete the four courses (selected from 8 courses in the program of study) while pursuing a degree. When they do this, the cost of each course is folded into full-time tuition so that there is no additional charge for each NECO course.

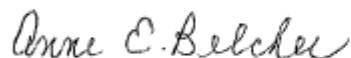
We have in recent years been receiving requests from nurses with an earned Masters or doctoral degree to be admitted to the NECO. These individuals are currently not eligible for nursing education-designated financial aid. In order to apply for the HRSA Nurse Faculty Loan Program, the student must be enrolled in a doctoral program. In addition, many applicants employed by health care

organizations are not eligible for tuition remission as this is usually available only for degree-seeking nurses. Thus these applicants, who wish to gain the knowledge and skills as a nurse educator, must pay "out of pocket" for the certificate.

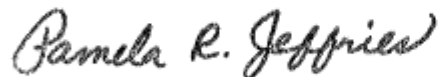
We are very pleased that the recommended modification to the Graduate Nursing Faculty Scholarship initiative is to authorize "Graduate Nursing Faculty Scholarships to eligible graduate nurse pursuing nursing education certificates."

Thank you for providing us with the opportunity to speak in support of all of the recommendations, with an emphasis on the eligibility of nurses with an earned Masters or doctoral degree to seek scholarship support for certificate in nursing education.

Sincerely,



Anne Belcher, PhD, RN, AOCN, ANEF, FAAN
Associate Professor and Director, Office for Teaching Excellence



Pamela Jeffries, PhD, RN, FAAN, ANEF
Professor and Associate Dean for Academic Affairs.

From: Nubile, Barbara [<mailto:Barbara.Nubile@montgomerycollege.edu>]
Sent: Tuesday, February 28, 2012 4:06 PM
To: Oscar Ibarra
Subject: Nurse Support Program II Statewide Initiatives Modifications

Mr. Oscar Ibarra
Chief, Information Management and Program Administration
Health Services Cost Review Commission
4160 Patterson Avenue.
Baltimore, Maryland 21215

I would like to thank HSCRC very much for the funding through NSPII. Montgomery College's nursing program has not only been able to expand in numbers, but also to improve the quality of the graduates. The specific grants have expanded enrollment from 260 to the current 376 (a 45% increase), enabled the development of a simulation lab that allows the students to learn appropriate responses to a variety of patient situations, improve retention, and increase the number of graduates from 108 to a projected 180 this year (67% increase). The program is now positioned to continue to increase enrollment as the need for nurses expands.

Among MC's nursing faculty, the Faculty Fellowships have also had a great impact on encouraging faculty to seek a doctoral degree. In 2006, MC had one faculty member with a doctorate. Currently, four faculty have a doctorate and another five are in process. This is amazing for a community college. Having this level of expertise will benefit the nursing program, college and community.

To continue to meet the needs of nursing education programs in Maryland, I support the proposed modifications to the NSPII Statewide Initiatives. The need for advanced degrees in nursing is acute. While supporting master's education has been very helpful to nursing programs, the need for doctoral prepared nurses is key to continuing to develop educational capacity.

Thank you.

Barb

Barbara Nubile, MSN, RN
Associate Dean/Director of Nursing
Montgomery College
7600 Takoma Avenue
Takoma Park, MD 20912-4197
Phone: 240-567-5529 or 240-567-5530
Fax: 240-567-5527
Email: Barbara.Nubile@montgomerycollege.edu



1525 Greenspring Valley Road
Stevenson, Maryland 21153-0641

Mr. Oscar Ibarra
Chief, Information Management and Program Administration
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

February 28th, 2012

Dear Mr. Ibarra,

We are writing in support of the modifications proposed for the Nurse Support II program. As a sub-committee of the Maryland Action Coalition which is facilitating implementation of the Institute of Medicine's Recommendations for Nursing, we believe that an increased focus on the doctoral preparation of nurses is an important need in the State of Maryland and for nursing nationally. Increased funding for doctoral studies will contribute to furthering the development of nurses and the system which supports the education of nurses at all levels. In the summer of 2011 our committee completed a survey of Deans of Nursing Schools and Directors of Health Care Facilities, and these individuals (n=52) consistently reported that financial hardship affected them and their staff members with regard to the pursuit of doctoral work (see rank of responses on surveys below).

- Barriers as Ranked-(responses from 52 of 102 emails sent)
- 1-(43%) Availability of scholarships/tuition reimbursement
- 2-(42%) Time of classes
- 3-(41%) Tuition/costs

We appreciate the opportunity to share with you our findings. We are dedicated to improving the educational climate for nurses in the State of Maryland, and we welcome your questions.

Sincerely,

A handwritten signature in cursive script that reads "Denise Seigart".

Dr. Denise Seigart, Stevenson University, Co-Chair
Senator Delores Kelley, Co-Chair
Michelle Agostini-Montgomery Community College
Linda Cook-Prince George Community College
Cindi Horton-Cecil College
Kathy Ogle-Towson University
Sue Thomas-University of Maryland
Debra Wiegand-University of Maryland

From: McClellan, Shannon [<mailto:mccllellan@son.umaryland.edu>]
Sent: Tuesday, February 28, 2012 11:53 AM
To: Oscar Ibarra
Subject: NSP II

Good morning Mr. Ibarra.

On behalf of Dean Allan and the University of Maryland School of Nursing, we want to extend our full support for the modification(s) for the Statewide Initiatives.

These changes will benefit our students immensely and, in turn, the health care of Marylanders.
Sincerely,

Shannon

Shannon McClellan, Esq, MBA
UM School of Nursing
655 W. Lombard St, Suite 505
Baltimore, MD 21201
410.706.7253

"Either we heal now as a team, or we will die as individuals."
~ Al Pacino locker room speech in 'Any Given Sunday'

Comment Letters - Supplement

From: Stetson, Judith [<mailto:jstetson@chesapeake.edu>]
Sent: Wednesday, February 29, 2012 12:08 PM
To: Oscar Ibarra
Cc: 'Daw, Peggy'
Subject: Support for proposed modifications to NSPII

As Director of the Chesapeake College/MGW Nursing Program I fully and enthusiastically support the proposed modifications to the NSPII Graduate Nursing Faculty Scholarships as they significantly encourage and enhance faculty development. As the only nursing program in the mid-shore region of the Eastern Shore, I am in direct contact with three full-time nursing faculty that wish to pursue doctoral education, one clinical faculty that wishes to pursue doctoral education and two clinical faculty that wish to pursue a Masters in Nursing. Therefore, I fully support the proposed modifications:

- Modifying the annual maximum award per graduate student to be the amount of tuition and fees at the student's Maryland institution.
- Removing the two year time limitation to accommodate graduate students pursuing doctoral degrees
- Providing support to those pursuing certificates in nursing education
- Naming the graduate faculty scholarships the "Hal and Jo Cohen Graduate Nursing Faculty Scholarships Program."

Thank you for your kind attention and consideration of these proposed modifications.



Sojourner-Douglass College

200 N. Central Avenue - Baltimore, Maryland 21202 - (410) 276-0306 - Fax (410) 276-4086 - www.sdc.edu

March 1, 2012

Mr. Oscar Ibarra
Chief, Information Management and Program Administration
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

RE: Nurse Support Program II (NSP II) Statewide Initiatives to Better Support Nursing Faculty

Dear Mr. Ibarra:

The Sojourner-Douglass College School of Nursing (S-DCSON) is pleased to submit this letter of support for the Health Services Cost Review Commission. The proposed modifications, as suggested by the NSP II administrators at the Maryland Higher Education Commission (MHEC), strengthen the NSP II Statewide Initiatives by better supporting nursing faculty development.

S-DCSON's students have benefitted greatly in the past years by initiatives funded by NSP II which have supported nursing faculty. To date, there are 11 nursing faculty who have benefitted from NSP II funding which supported completion of their graduate degrees in Nursing Education, professional development activities, and salary supplementation. The number of faculty supported by NSP II funding represents approximately 25% of our entire faculty.

The initiatives posed will serve to support the education of many more nursing faculty in the state of Maryland. HSCRC has demonstrated its' commitment to preparing the next generation of nursing faculty and nurses over the years. Therefore, it is with great enthusiasm that I endorse the initiatives related to NSP II.

Cordially,

A handwritten signature in cursive script that reads "Maija R. Anderson".

Maija Anderson, DNP, RN
Dean
School of Nursing

A College Whose Time Has Come!

Baltimore, Maryland • Annapolis Southern Maryland • Cambridge, Maryland • Nassau, Bahamas • Prince Georges County, Maryland • Salisbury, Maryland • Owings Mills, Maryland

SPECIAL ADVERTISING SECTION

40 YEARS ADVANCING CAREERS

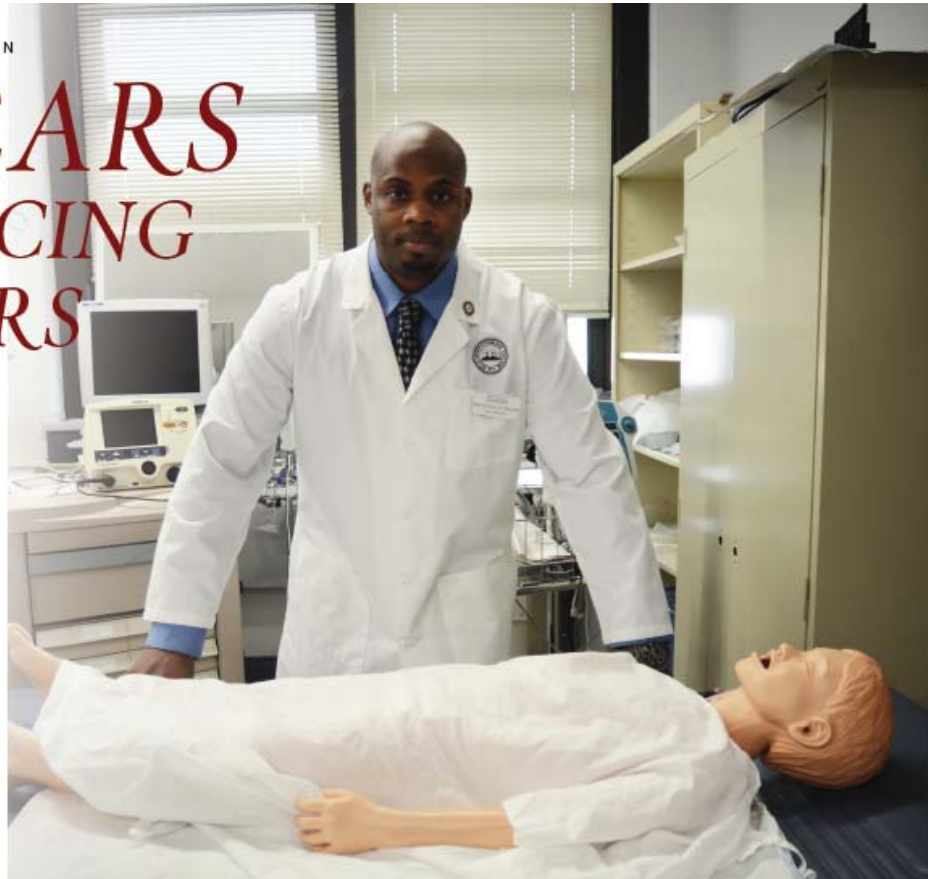
*Sojourner-Douglass
College cultivates
community growth,
self-determination
and prosperity.*

BY STEPHANIE SHAPIRO

Walter Toller had worked for 16 years as a licensed practical nurse when a friend told him about the great instructors and classes at Sojourner-Douglass College. Toller, eager to advance his career, took a look for himself. One year later, he emerged with a Bachelor of Science in Nursing degree (BSN) and high praise for the educators who went "above and beyond" to make sure he and others understood every concept and remembered every fact.

BSN degree in hand, Mr. Toller was promoted to manager of a unit for acute-care patients on ventilators at a Baltimore long-term care facility. It's an action-packed, rewarding occupation. If possible, though, Mr. Toller would like to reenroll at Sojourner-Douglass in the future. "I hope they'll start a Masters in nursing program," he says. "When they do, I'll be back."

As a student, Mr. Toller quickly discovered that Sojourner-Douglass is far more than a school for adult learners.



Walter Toller came away from Sojourner-Douglass College with a Bachelor of Science in Nursing and high praise for his instructors.

It is a community grounded in the principles of self-determination, where dialogue and practical experience as well as lectures and theory are valued teaching tools.

Forty years after Sojourner-Douglass College first opened its doors in Baltimore as a force for community rebirth, the school's commitment to education and social change is stronger than ever. "We have transformed thousands of families, says Dr. Charles W. Simmons, Sojourner-Douglass's first and only president. "We have seen parents get an education, develop in their careers and set the same expectations for their children."

Simmons has never wavered in the belief that educating students of all ages is the catalyst

for revitalizing families and their communities. "We serve an adult population and recognize that of all the measures of a child's educational success, the most significant is the educational level of the parent, especially the mother," Simmons says.

Begun on a shoestring budget with volunteer faculty and a handful of students, Sojourner-Douglass today offers undergraduate and graduate degrees in dozens of fields ranging from health care and early childhood education to business administration and criminal justice.

From its East Baltimore base, Sojourner-Douglass has expanded to include seven campuses – six across Maryland (Baltimore, Prince Georges County, Annapolis, Owings

Mills, Cambridge, and Salisbury and one in Nassau, Bahamas) – with a total enrollment of about 2,000. On each campus, administrators, faculty and staff make every effort to meet the needs of students who have jobs and other responsibilities: Courses are small, and offered during the day, evenings and on weekends. For parents, inexpensive day-care services remove a chronic obstacle to attendance. Other resources, including tutors and alternative curriculum tracks for students who need to catch up on math and other skills, also place a degree within reach for many who have been away from the classroom for a long stretch.

As technological advances, an aging population and other factors demand new expertise of the country's workforce



*We have seen parents get an education,
develop in their careers and set the same
expectations for their children.*

— Dr. Charles W. Simmons

Sojourner-Douglass has responded with new and updated degree programs, including the BSN program and a Bachelor of Science degree in biotechnology.

Those programs have been built from scratch by dedicated faculty, such as Dr. Maija Anderson, dean of the school's nursing program.

No matter the subject, Sojourner-Douglass College faculty and staff know that confidence is as important as knowledge. When students, who range in age from their early 20s to early 60s, first enter Dr. Anderson's classroom, they're a bit insecure and hesitant to assume the responsibilities of their chosen field, she says. "But then they mature into nurses who are proud to wear a uniform, and to take on the mantle of being a nurse."

About 178 students are currently enrolled in the entire nursing program. The BSN track was launched in March 2010. By the end of 2012, Dr. Anderson anticipates that 60 BSN students will have graduated with a BSN degree. Among them is Hattie Bellamy, a grandmother who has aspired to be a nurse since she was a little girl. "Nursing was always a passion of mine," she says. But "You know how you put things off and get a job right out of school, get married, have children, grandchildren and now I decided to do something for me." Eventually, Mrs. Bellamy plans to team up with her granddaughter, who wants to start a daycare center.

While the Sojourner-Douglass nursing curriculum prepares students to take care of very sick patients, lessons also stress the fundamentals of community health, such as healthful

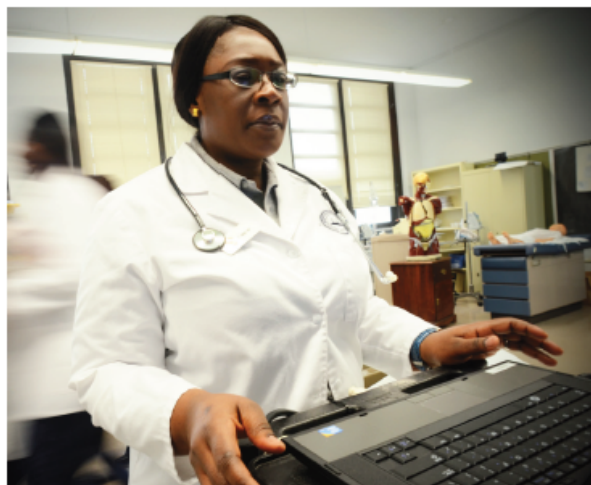
eating and regular exercise. A Masters program in nursing is in the early planning stages, as is the establishment of a neighborhood health clinic to serve residents in the surrounding community.

Sojourner-Douglass

College is also readying students such as Brittany Crowder for the biotechnology workforce. A self-professed "science and math fanatic," Ms. Crowder was introduced to the field thanks to a collaboration between Dunbar High School and Johns Hopkins University. After graduation, though, college appeared "out of the question," says Ms. Crowder, who had a toddler and full-time job. Two years ago, though, Sojourner-Douglass College's convenient hours and childcare services caught her eye.

Now, Ms. Crowder, 23, is a junior in the school's Bachelor of Science in Biotechnology program and on her way to a fulfilling research career. She hopes to develop treatments for breast cancer, a disease that has struck down family members, or to create a genetically-modified crop to prevent famines in developing nations. Supporting her all the way is Dr. Jayfus Doswell, director of the biotechnology program, whom Ms. Crowder calls "my mentor, my professor, and my moral support."

What's more, Ms. Crowder's education is rubbing off on her five-year-old son, who attends kindergarten at the charter school on campus, the



Across SDC, adult students receive individual attention in small classes.

college's aftercare program and occasionally one of his mother's classes. He, too, has the makings of a science and math fanatic, Ms. Crowder says. "When we were coming here the other day, he said, 'Mom, we're going on a scientific adventure today.' He's absorbing everything I'm absorbing at the same time."

And that's exactly what Dr. Simmons has envisioned over the four decades he has led Sojourner-Douglass College: "We know the impact we make when we educate the parents, but we also want to make an impact on children. We're working to rebuild the community from both angles."

Getting in to SDC:

Admission to Sojourner-Douglass College is based on traditional and nontraditional measures. Motivated and mature students with a high school diploma or equivalent are eligible to apply for admission.

Here's a sampling of the degree programs offered by Sojourner-Douglass College:

Undergraduate:

Accounting
Addiction and Substance Abuse Counseling
Biotechnology
Business Administration
Gerontology
Information Technology
Social Work
Licensed Practical Nursing/Bachelors in Nursing degree program.

Graduate:

Urban Education
Political Campaign Management
Public Administration

To learn more about the admissions process, financial aid and course schedules at Sojourner-Douglass College, call 410-276-0306 extension 248 or visit www.sdc.edu.

From: BELLE COX [<mailto:gabriellecox2003@yahoo.com>]
Sent: Monday, March 05, 2012 5:15 AM
To: Oscar Ibarra
Cc: kathleen.galbraith@morgan.edu
Subject: NSP II

Hello,

My name is Belle Cox I attend Morgan State University's Graduate Nursing Program. I have been enrolled since July 2010 I am also a recipient of Nurse Support II. I would like to first tell you how grateful I am to have had the opportunity to receive the funds. The funds made available to me helped me to purchase my books and when I need to request time off from work to concentrate on my studies the monies help me cover some household expenses. I was shocked and surprised when I heard that there was a chance that the funds would be eliminated. Although I am graduating this semester and I will not be affected by the change I feel cutting funding to this program will hinder many minorities from pursuing an graduate education. I really hope you and your colleagues reconsider using the funds for other programs Morgan State University has a need for program. Thank you for your time.

Sincerely,

Belle Cox

From: kaswells@aol.com [<mailto:kaswells@aol.com>]
Sent: Monday, March 05, 2012 8:07 PM
To: Oscar Ibarra
Subject: Nurse Support Program II Statewide Initiatives Modifications

- Nurse Support Program II
Statewide Initiatives Modifications
Health Services Cost Review Commission
4160 Patterson Avenue
Baltimore, MD 21215
410-764-2605
February 1, 2012
Comments may be submitted to Oscar Ibarra (oibarra@hsrc.state.md.us).

Dear Mr.Ibarra,

I am a currently enrolled in the Graduate Nursing Program at Morgan State University. I am also a recipient of Nurse Support II Funds, including living expenses. Recently, MHEC has proposed to eliminate the living expenses in order to redistribute it to students interested in doctoral studies and nursing education certificates or to students attending more expensive schools than Morgan. I am writing this letter, first to express my gratitude for making this living expense available to us and second to let you know how valuable the funds were in assisting me in being able to return to school. I can only hope that MHEC will reconsider eliminating the living expenses to Morgan State University. Many minority nurses face financial challenges and are unable to return to school and advance in higher education. Thanks again for helping minority nurses to make a difference in decreasing the shortage of nurses and reducing the health disparities.

Thanks for giving us an opportunity teach and become managers.

Kathy Wells

FY2012 Options for Improving the Waiver Cushion

March 7, 2012

Please provide comments to Patrick Redmon via email at predmon@hscrc.state.md.us or by mail at 4160 Patterson Avenue, Baltimore, MD 21215. Comments are due by March 28, 2012.

Introduction

As the staff discussed at the February 2012 Commission meeting, the waiver cushion for Maryland's Medicare waiver is eroding rapidly. This recent deterioration has occurred for several reasons. This document discusses the current status of the waiver test, sources contributing to the decline in the cushion on the relative waiver test, and options the Commission can take to open some waiver cushion in the current fiscal year.

Waiver Forecast

Based on the most recent waiver cushion, the relative waiver test stood at 9.55 percent – that is, if the nation experienced no growth, Maryland payments per case could increase by 9.55 percent before failing the growth test established by Medicare. This letter applied to the data period year ending September 2010. While the staff is expecting another waiver letter from CMS applying to year ending December 2010, at this time we have not received that analysis.

To monitor our waiver position on a more current basis, the staff models our waiver position based on the CMS actuarial forecast for Medicare's national growth. For Maryland growth, the model incorporates actual data when possible, and projected growth rates based on the update factor, and expected policy effects for future periods.

Under reasonable assumptions, the current waiver forecast shows a dramatic decline in FY2012 and FY2013. The current staff model projects a waiver cushion of 1.13 percent for FY2012 and 0.6 percent for FY2013. Other stakeholders in the system have competing models with different estimates based on the precise assumptions being made, but none of the models dispute the dramatic decline in the waiver margin, and a number dangerously close to zero.

Drivers of the Deterioration

There are several sources of the forecasted waiver cushion decline. They include the update factor of over 4 percent. Of this 4.3 percent, the core update factor was 1.56 percent with additional increases for the Medicaid assessment (1.9 percent), and seed funding for the Admission-Readmission Revenue (ARR) policy, and for the Total Patient Revenue (TPR) initiative (a combined 0.5 percent), among others. However, this scheduled increase in inpatient revenue explains only a portion of the 8.8 percent growth in the per case revenue growth measured in the most recent edition of *Monitoring Maryland Performance*.

There are several sources of this rapid growth in inpatient revenue per case. A major source of deterioration comes from the continued conversion of short stay cases to observation status. Under the one day stay policy, short stay cases are excluded from the charge per case methodology. As a consequence, the remaining cases are now more expensive on average. The phenomenon continues to work in the system as one-day cases continue to convert to observation status. The staff, in extensive discussions with industry and payer representatives, has worked to identify the impact of these cases in the current fiscal year.

Compared to the first six months of FY2011, the effect of the one-day stay conversions to observation status are contributing to an approximate 2 percent increase in the charge per case growth reported in this month's *Monitoring Maryland Performance*. Further, the number of two-day stays is also declining, with some of these cases apparently converting to observation status as well. The combined impact of the changes related to one-day and two-day stays is approximately 3 percent for the first half of the fiscal year over the first half of FY2011.

Finally, an analysis of this year's rates shows an increase of \$100 million in inpatient revenue as a result of rate realignment during the year's rate-setting process. As outpatient revenue has increased, rate realignment spread these costs according to current allocation structures. The impact of this increase is about 1.6 percent inpatient revenue.

These components largely explain the current rate of increase in *Monitoring Maryland Performance*. At the last Commission meeting, the staff had speculated that case mix growth or rate compliance could be possible sources of this growth. However, both unit rate and charge per case compliance appear to be within normal levels. Further, case mix growth as measured under the traditional method is down for the first half of the year. Under this traditional method staff does not account for case mix growth in the excluded one-day stay cases. Further analysis of case mix growth over the past year (for which HSCRC applied no case mix governor) shows that case mix growth was considerable when one-day stay cases were included.

After taking into account the case mix impact of the one-day cases, an adjusted case mix analysis shows case mix to be about flat for the first half of the year. Despite our earlier speculation, neither of these factors contributes substantially to the explanation of the high growth rate we are currently experiencing.

Recommendations

Cost Allocations

As noted above, substantial revenue has moved into inpatient rates as a result of rate realignment in the current year. Because we use lagged data to establish rate orders (FY 2010 cost reports were the most recent available for the FY2012 rates), shifts to outpatient centers are not fully recognized in the current rates.

Recommendation: The staff recommends that we reduce rates in routine centers that are inpatient only and increase rates in ancillary centers which cross both inpatient and outpatient centers. To give the maximum impact for waiver purposes, the change can be made effective January 1, 2012. While this does not change the overall level of revenue in the system, it does change the amount allocated to inpatient cases, where Medicare has disproportionately large representation.

If the industry believes that the proposed effective date for this action would cause too many difficulties with compliance for the remainder of the year, the action could be made effective on March 1, 2012. We will seek comments on this proposal.

CPV Methodology

The overhead shifts discussed above will make the CPV methodology even more difficult to manage. Further, technical problems with the conversion to observation for short stay cases have caused a number of problems in implementation with the complex CPV calculations for generating rate orders for the current fiscal year.

Recommendation: The staff recommends that the Commission suspend the CPV methodology effective for the current fiscal year. Hospitals will receive no rate adjustment for FY2012 on a one-time or permanent basis. Staff will also consider the reversal of both one-time and permanent adjustments for FY2011 based on implementation issues identified by the industry. We will seek comments on the appropriateness of the FY2011 adjustment.

The staff believes that an outpatient constraint system is appropriate. However, the complexity of the CPV methodology, interacting with other methodologies such as the one-day stay conversions, have not effectively constrained outpatient growth and have increased the complexity of the rate-setting system. We will come forward with a proposal for an outpatient constraint system in the next few months.

Case Mix Governor

It was the Commission's policy to exclude one-day stay cases when calculating case mix growth to determine whether case mix should be governed.

Recommendation: The staff recommends that the Commission consider including one-day stay cases at the case specific weight in the calculation of case mix for the purposes of calculating the case mix governor for FY12. In addition, staff will recalculate the FY11 case mix growth with the intent of understanding the impact that not including the case specific weights for one-day stays has had on revenue growth.

Title 10 DEPARTMENT OF HEALTH AND MENTAL HYGIENE

Subtitle 37 HEALTH SERVICES COST REVIEW COMMISSION

Chapter 01 Uniform Accounting and Reporting System for Hospitals and Related Institutions

**Authority: Health-General Article, §§ 19-207, 19-212, and 19-215, Annotated Code
of Maryland**

NOTICE OF PROPOSED ACTION

The Health Services Cost Review Commission proposes to amend Regulations .02 under **COMAR 10.37.01 Uniform Accounting and Reporting System for Hospitals and Related Institutions**. This action was considered and approved for promulgation by the Commission at a previously announced open meeting held on March 7, 2012, notice of which was given pursuant to State Government Article, § 10-506(c), Annotated Code of Maryland. If adopted, the proposed amendments will become effective on or about July 9, 2012.

Statement of Purpose

The purpose of this action is to update the Commission's manual entitled "Accounting and Budget Manual for Fiscal and Operating Management (August, 1987), which has been incorporated by reference.

Comparison of Federal Standards

There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact

The proposed action has no economic impact.

Opportunity for Public Comment

Comments may be sent to Diana M. Kemp, Regulations Coordinator, Health Services Cost Review Commission, 4160 Patterson Avenue, Baltimore, Maryland 21215, or (410) 764-2576, or fax to (410) 358-6217, or email to dkemp@hsrc.state.md.us. The Health Services Cost Review Commission will consider comments on the proposed amendments until May 6, 2012. A hearing may be held at the discretion of the Commission.

02 Accounting System; Hospitals.

A. The Accounting System.

(1) (text unchanged)

(2) The “Accounting and Reporting System for Hospitals”, also known as the Accounting and Budget Manual for Fiscal and Operating Management (August, 1987), is incorporated by reference, including the following supplements:

(a)-(r) (text unchanged)

(s) Supplement 19 (February 9, 2010); [and]

(t) Supplement 20 (May 16, 2011)[.] ; and

(u) Supplement 21 (July 9, 2012).

(3) – (5) (text unchanged)

B. – D. (text unchanged)

JOHN M. COLMERS

Chairman
Health Services Cost Review Commission

STATE OF MARYLAND
DEPARTMENT OF HEALTH AND MENTAL HYGIENE



John M. Colmers
Chairman

Herbert S. Wong, Ph.D.
Vice-Chairman

Joseph R. Antos, Ph.D.

George H. Bone, M.D.

Jack C. Keane

Bernadette C. Loftus, M.D.

Thomas R. Mullen

Patrick Redmon, Ph.D.
Executive Director

Stephen Ports
Principal Deputy Director
Policy and Operations

Gerard J. Schmith
Deputy Director
Hospital Rate Setting

Mary Beth Pohl
Deputy Director
Research and Methodology

HEALTH SERVICES COST REVIEW COMMISSION

4160 Patterson Avenue, Baltimore, Maryland 21215

Phone: 410-764-2605 · Fax: 410-358-6217

Toll Free: 1-888-287-3229

www.hscrc.state.md.us

TO: Commissioners

FROM: Legal Department

DATE: February 29, 2012

RE: Hearing and Meeting Schedule

Public Session:

April 11, 2012 Time to be determined, 4160 Patterson Avenue, HSCRC Conference Room

May 2, 2012 1:00 p.m., 4160 Patterson Avenue, HSCRC Conference Room

Please note, Commissioner packets will be available in the Commission's office at 9:00 a.m.

The Agenda for the Executive and Public Sessions will be available for your review on the Thursday before the Commission meeting on the Commission's website.

www.hscrc.state.md.us/commissionMeetingSchedule2012.cfm

Post-meeting documents will be available on the Commission's website following the Commission meeting.