

# Draft Recommendation for Shared Savings Program for FY 2015

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**Health Services Cost Review Commission  
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**May 14, 2014**

This document contains the draft staff recommendations for implementing a Shared Savings Program for FY 2015. Comments on the draft recommendation are due in writing to the Commission by COB Thursday, June 2nd, 2014, attention: Dr. Sule Calikoglu at the Commission address or to [Sule.Calikoglu@maryland.gov](mailto:Sule.Calikoglu@maryland.gov)

## A. Introduction

The Commission approved a shared savings policy on May 1, 2013, which reduced hospital revenues based on risk-adjusted readmission rates using specifications set forth in the Admission-Readmission Revenue Constraint Program (ARR). The program was developed to maintain Maryland’s exemption from the CMS readmission program and required a reduction of 0.3 percent of inpatient revenues in the state during FY2015. This draft recommendation proposes the continuation of the shared savings policy with no methodology changes.

## B. Background

### Exemption Criteria from CMS Quality-Based Payment Programs

As of federal fiscal year 2013, Section 3025 of the Patient Protection and Affordable Care Act (H.R. 3590) requires the Secretary of Health and Human Services to reduce payments to hospitals relative to excess readmissions as a means of reducing Medicare readmissions nationally. Medicare requires Inpatient Prospective Payment System (IPPS) hospitals outside of Maryland to engage in Medicare's Hospital Readmissions Reduction program. According to this IPPS rule published for FFY 2015, the Secretary is authorized to exempt Maryland hospitals from the Medicare Readmissions Reduction Program if Maryland submits an annual report describing how a similar program in the State achieves or surpasses the nationally measured results for patient health outcomes and cost savings under the Medicare program. As mentioned in other quality-based payment recommendations, the new All-Payer model changed the criteria for maintaining exemptions from the CMS programs. As part of the CMMI contract, the aggregate maximum revenue at risk in Maryland quality/performance based payment programs must be equal to or greater than the aggregate maximum revenue at risk in the CMS Medicare quality programs.

Staff is currently working with CMMI to determine the exact calculation of aggregate amount at of revenue risk for CY 2014, the first year of performance period. Table 1 provides the most current estimates based on existing and proposed adjustments.

Table 1: Maximum Percent At Risk Amounts for Medicare and Maryland Quality Programs

Program	Medicare		Maryland	
	FFY 2014		SFY 2014	
VBP/QBR	1.25%		0.50%	
HAC/MHAC			2.00%	
HRRP/Readmission Shared Savings	2.00%		0.41%	
GBR Adjustments			TBD	
<b>TOTAL</b>	<b>3.25%</b>		<b>2.91%</b>	
	FFY 2015		SFY 2015	
VBP/QBR	1.50%		0.50%	
HAC/MHAC	1.00%		3.00%	
HRRP/Readmission Shared Savings	3.00%		0.86%	
GBR Adjustments			TBD	
<b>TOTAL</b>	<b>5.50%</b>		<b>4.36%</b>	
	<b>Medicare</b>	<b>Maryland</b>	<b>MD - Medicare</b>	
CY 2014	3.81%	3.64%	-0.18%	

**Approved Methodology to Implement Shared Savings Program**

The approved shared savings methodology the HSCRC calculates a case mix adjusted readmission rate based on ARR specifications (intra-hospital readmissions excluding 0-1 day stays with planned admission exclusions) for each hospital for the base period and determines a statewide required percent reduction in readmission rates to achieve the revenue for shared savings. The case mix adjustment is based on observed vs. expected readmissions, calculated using the statewide average readmission rate for each DRG SOI cell and aggregated for each hospital. HSCRC staff then applies a shared savings benchmark to the risk-adjusted readmission rate to calculate the contribution from each hospital. The shared savings benchmark is the required percent reduction in readmissions necessary to achieve the predetermined revenue for shared shavings,

**C. Assessment**

HSCRC staff calculated risk-adjusted readmission rates of each hospital for calendar year 2012 APR-DRG v29 to be used as the basis of shared savings reductions (Appendix 1). The readmission rates are based on current ARR methodology, which includes only intra-hospital readmissions based on a fixed 30-day period excluding 0-1 day stays and excludes planned readmissions using CMS planned admission algorithm v2. Once the statewide number of readmissions is determined, the statewide required reductions are calculated as described in Table 2.

**Table 2: Calculation of Statewide Reduction based on 0.4% of total revenue shared savings**

Total Approved Revenue FY 2014	A	\$15,208,056,320
Percent Inpatient	B	59.3%
Approved Inpatient Revenue	C = (A/B)	\$9,014,965,119
Proposed Required Revenue Reduction %	F	0.40%
Proposed Required Revenue Reduction (\$)	G=A*F	\$60,832,225
Total Discharges Included	D	551,514
Average Approved Charge Per Case	E=C/D	\$16,346
Readmission as a percent of Total Discharges	H	7.36%
Total Number of Readmissions	I = D*H	40,592
Required Reduction in Readmissions to achieve savings	J=G/E	(3,722)
Required New Readmission Rate	K=(I+J)/D	6.69%
Required Percent Reduction in Readmission Rate	L=K/H-1	<b>-9.17%</b>

## Draft Recommendation for Readmission Shared Savings Program for FY 2015

Once the overall required reduction in readmission rates is determined, the hospital specific reduction as a percent of total revenue would be based on the following formula:

*Inpatient revenue percent reduction = Hospital Risk-Adjusted Readmission Rate \* Statewide required reduction in readmission rate*

The conversion to reduction as a percent of total revenue then would be:

*Total revenue percent reduction = Inpatient percent revenue reduction \* proportion of total revenue from inpatient.*

Appendix 2 provides the results of shared savings policy based on proposed 0.4% reduction in total patient revenues.

The existing shared savings reductions policy has a number of advantages:

- Every hospital contributes to the shared savings; however, the shared savings are distributed in proportion to each hospital's case mix adjusted readmission rates in the base year.
- The shared savings amount is not related to actual reduction in readmissions during the rate year, hence providing equitable incentive across all hospitals. Hospitals that reduce their readmission rates beyond the shared savings benchmark during the rate year will retain 100 percent of the difference between their actual reduction and the shared savings benchmark.
- When applied prospectively, the HSCRC sets and may adjust the targeted dollar amount for shared savings, thus guaranteeing a fixed amount of shared savings.
- As the shared savings contributions are calculated as a reduction in readmissions in the current ARR program, the methodology does not rank hospitals based on readmission rates, which require adjustment for inter-hospital and out-of-state readmissions.

The measurement for future years will need to be expanded as majority of hospitals will be under global budgets and will have incentives to reduce overall avoidable utilization not only readmissions,.

### D. Recommendations

HSCRC staff recommends that the Commission to set the value of the shared savings amount to at 0.4 % of total permanent revenue in the state.

Appendix I: Risk Adjusted ARR Readmission Rates, CY 2013

Hospital ID	Hospital Name	CY2013					
		Total Admissions	Expected Readmissions*	Observed Readmissions	Observed Rate	Readmission Ratio	Risk Adjusted Rate
		A	B	C	D = C/A	E=C/B	F = E*Total D
210027	WESTERN MARYLAND HEALTH SYS	11,529	856.78	1,088	9.44%	1.2699	9.35%
210040	NORTHWEST	11,224	1111.8	1,377	12.27%	1.2385	9.12%
210030	CHESTERTOWN	1,674	172.56	204	12.19%	1.1822	8.70%
210009	JOHNS HOPKINS	37,234	3227.1	3,641	9.78%	1.1283	8.30%
210001	MERITUS	15,780	1121.6	1,252	7.93%	1.1163	8.22%
210029	HOPKINS BAYVIEW MED CTR	17,627	1355.5	1,521	8.63%	1.1221	8.26%
210043	BALTIMORE WASHINGTON MEDICAL	15,782	1400	1,570	9.95%	1.1214	8.25%
210028	ST. MARY	6,614	430.07	476	7.20%	1.1068	8.15%
210023	ANNE ARUNDEL	26,652	1462.1	1,578	5.92%	1.0793	7.94%
210012	SINAI	22,764	1787.6	1,919	8.43%	1.0735	7.90%
210015	FRANKLIN SQUARE	20,473	1497.9	1,601	7.82%	1.0688	7.87%
210019	PENINSULA REGIONAL	17,152	1319	1,408	8.21%	1.0675	7.86%
210056	GOOD SAMARITAN	10,307	1015.9	1,084	10.52%	1.0670	7.85%
210032	UNION HOSPITAL OF CECIL COUNT	4,959	387.67	412	8.31%	1.0628	7.82%
210033	CARROLL COUNTY	9,842	736.28	779	7.92%	1.0580	7.79%
210005	FREDERICK MEMORIAL	16,815	1213.2	1,255	7.46%	1.0345	7.61%
210048	HOWARD COUNTY	16,855	1021.4	1,051	6.24%	1.0290	7.57%
210011	ST. AGNES	16,388	1249.4	1,233	7.52%	0.9869	7.26%
210018	MONTGOMERY GENERAL	7,547	580.03	572	7.58%	0.9862	7.26%
210035	CHARLES REGIONAL	7,087	562.52	550	7.76%	0.9777	7.20%
210013	BON SECOURS	4,847	499.67	484	9.99%	0.9686	7.13%
210049	UPPER CHESAPEAKE HEALTH	11,585	862.52	831	7.17%	0.9635	7.09%
210051	DOCTORS COMMUNITY	8,933	906.23	871	9.75%	0.9611	7.07%
210055	LAUREL REGIONAL	5,853	388.33	368	6.29%	0.9476	6.97%
210004	HOLY CROSS	31,613	1544.1	1,448	4.58%	0.9378	6.90%
210034	HARBOR	8,327	549.41	515	6.18%	0.9374	6.90%
210022	SUBURBAN	10,806	924.61	856	7.92%	0.9258	6.81%
210057	SHADY GROVE	21,970	1213.1	1,131	5.15%	0.9323	6.86%
210062	SOUTHERN MARYLAND	12,802	1007.4	932	7.28%	0.9252	6.81%
210002	UNIVERSITY OF MARYLAND	22,419	1886.6	1,722	7.68%	0.9128	6.72%
210024	UNION MEMORIAL	10,899	942.98	858	7.87%	0.9099	6.70%
210008	MERCY	16,357	896.41	798	4.88%	0.8902	6.55%
210010	DORCHESTER	2,047	196.97	173	8.45%	0.8783	6.46%
210060	FT. WASHINGTON	1,881	161.23	142	7.55%	0.8807	6.48%
210016	WASHINGTON ADVENTIST	11,718	846.31	734	6.26%	0.8673	6.38%
210006	HARFORD	3,929	371.46	315	8.02%	0.8480	6.24%
210037	EASTON	7,890	551.47	468	5.93%	0.8486	6.25%
210039	CALVERT	6,059	428.03	362	5.97%	0.8457	6.22%
210061	ATLANTIC GENERAL	2,708	263.24	225	8.31%	0.8547	6.29%
210063	UM ST. JOSEPH	14,301	959.5	814	5.69%	0.8484	6.24%
210044	G.B.M.C.	18,130	1059	876	4.83%	0.8272	6.09%
210038	UMMC MIDTOWN	5,840	557.17	426	7.29%	0.7646	5.63%
210003	PRINCE GEORGE	11,422	750.67	561	4.91%	0.7473	5.50%
210045	MCCREADY	264	29.62	20	7.58%	0.6752	4.97%
210017	GARRETT COUNTY	1,858	114.69	71	3.82%	0.6191	4.56%
210058	REHAB & ORTHO	2,751	172.79	20	0.73%	0.1157	0.85%
<b>TOTAL</b>		<b>551,514</b>	<b>40,592</b>	<b>40,592</b>	<b>7.36%</b>	<b>1.0000</b>	<b>7.36%</b>

\* Based on Statewide readmissions by Initial Admission APR-DRG SOI

UPDATED 3/18/13

Draft Recommendation for Readmission Shared Savings Program for FY 2015

**Appendix 2: Proposed Shared Savings Policy Reductions for FY 2015**

Hospital ID	Hospital Name	CY13 Risk Adjusted Rate	Inpatient Revenue Reduction	Proportion of Total Revenue from Inpatient CY 2013	Percent Reduction in Total Revenue For RY 2015
A	B	C	D=C*9.17%	E	F=E*D
210027	WESTERN MARYLAND HEALTH	9.35%	-0.86%	57.40%	-0.49%
210040	NORTHWEST	9.12%	-0.84%	57.32%	-0.48%
210030	CHESTERTOWN	8.70%	-0.80%	46.74%	-0.37%
210009	JOHNS HOPKINS	8.30%	-0.76%	62.62%	-0.48%
210029	HOPKINS BAYVIEW MED CTR	8.26%	-0.76%	59.24%	-0.45%
210043	BALTIMORE WASHINGTON MED	8.25%	-0.76%	57.27%	-0.43%
210001	MERITUS	8.22%	-0.75%	62.34%	-0.47%
210028	ST. MARY	8.15%	-0.75%	43.92%	-0.33%
210023	ANNE ARUNDEL	7.94%	-0.73%	56.33%	-0.41%
210012	SINAI	7.90%	-0.72%	61.90%	-0.45%
210015	FRANKLIN SQUARE	7.87%	-0.72%	59.69%	-0.43%
210019	PENINSULA REGIONAL	7.86%	-0.72%	57.28%	-0.41%
210056	GOOD SAMARITAN	7.85%	-0.72%	60.06%	-0.43%
210032	UNION HOSPITAL OF CECIL COU	7.82%	-0.72%	44.30%	-0.32%
210033	CARROLL COUNTY	7.79%	-0.71%	56.43%	-0.40%
210005	FREDERICK MEMORIAL	7.61%	-0.70%	56.85%	-0.40%
210048	HOWARD COUNTY	7.57%	-0.69%	61.57%	-0.43%
210011	ST. AGNES	7.26%	-0.67%	58.27%	-0.39%
210018	MONTGOMERY GENERAL	7.26%	-0.67%	52.51%	-0.35%
210035	CHARLES REGIONAL	7.20%	-0.66%	51.49%	-0.34%
210013	BON SECOURS	7.13%	-0.65%	60.81%	-0.40%
210049	UPPER CHESAPEAKE HEALTH	7.09%	-0.65%	48.21%	-0.31%
210051	DOCTORS COMMUNITY	7.07%	-0.65%	60.72%	-0.39%
210055	LAUREL REGIONAL	6.97%	-0.64%	63.36%	-0.41%
210004	HOLY CROSS	6.90%	-0.63%	69.00%	-0.44%
210034	HARBOR	6.90%	-0.63%	62.23%	-0.39%
210057	SHADY GROVE	6.86%	-0.63%	62.33%	-0.39%
210022	SUBURBAN	6.81%	-0.62%	64.13%	-0.40%
210062	SOUTHERN MARYLAND	6.81%	-0.62%	62.20%	-0.39%
210002	UNIVERSITY OF MARYLAND	6.72%	-0.62%	68.90%	-0.42%
210024	UNION MEMORIAL	6.70%	-0.61%	59.21%	-0.36%
210008	MERCY	6.55%	-0.60%	48.87%	-0.29%
210060	FT. WASHINGTON	6.48%	-0.59%	41.58%	-0.25%
210010	DORCHESTER	6.46%	-0.59%	49.18%	-0.29%
210016	WASHINGTON ADVENTIST	6.38%	-0.59%	63.33%	-0.37%
210061	ATLANTIC GENERAL	6.29%	-0.58%	40.11%	-0.23%
210037	EASTON	6.25%	-0.57%	53.41%	-0.31%
210063	UM ST. JOSEPH	6.24%	-0.57%	60.02%	-0.34%
210006	HARFORD	6.24%	-0.57%	44.99%	-0.26%
210039	CALVERT	6.22%	-0.57%	47.51%	-0.27%
210044	G.B.M.C.	6.09%	-0.56%	48.05%	-0.27%
210038	UMMC MIDTOWN	5.63%	-0.52%	60.59%	-0.31%
210003	PRINCE GEORGE	5.50%	-0.50%	69.60%	-0.35%
210045	MCCREADY	4.97%	-0.46%	23.06%	-0.11%
210017	GARRETT COUNTY	4.56%	-0.42%	41.63%	-0.17%
210058	REHAB & ORTHO	0.85%	-0.08%	60.17%	-0.05%
<b>Total</b>		<b>7.36%</b>	<b>-0.67%</b>	<b>60.00%</b>	<b>-0.40%</b>