

ADDENDUM TO TOTAL PATIENT REVENUE AGREEMENT OF
MERITUS MEDICAL CENTER UNDER DATE OF JULY 1, 2013
EFFECTIVE JULY 1, 2014

Purpose:

The purpose of this Addendum is to clarify total approved revenue compliance under the TPR methodology and to establish the calendar year end approved revenue target.

Amendment 1:

Section III. A. "Compliance Monitoring Under the TPR" is hereby stricken as follows and replaced with a new Section III. A. below:

III. Computation and Application of the TPR

~~A. Compliance Monitoring Under the TPR~~

~~One of the goals of the TPR is to reduce the burden of regulation on hospitals. Thus, the HSCRC will relax unit rate compliance corridors generally applied to hospitals. The Hospital will be free to charge at a level up to 5 percent above the approved individual unit rates without penalty. This limit can be extended to 10 percent for all rate centers at the discretion of the HSCRC staff upon presentation of evidence by the Hospital that it would otherwise not achieve the approved total revenue for the year. Similarly, there will also be a 5 percent corridor on undercharging. This corridor may also be expanded to 10 percent for all revenue centers if the Hospital can substantiate that the Hospital will exceed its revenue constraint without this flexibility.~~

A. Compliance Monitoring Under the TPR

1. General and Overall Compliance

a) The Hospital will be subject to any rate adjustments that are necessary to bring it into compliance with the Approved Regulated TPR Revenue. If the gross revenue charged by the Hospital exceeds the Approved Regulated TPR Revenue, the difference between the gross revenue charged and the Approved Regulated TPR Revenue, together with any penalties assessed, will be subtracted from the Approved Regulated TPR Revenue that would otherwise have been approved for the Hospital for the subsequent Rate Year. Conversely, if the gross revenue charged by the Hospital is less than the Approved Regulated TPR Revenue, the difference will be added to the Approved Regulated TPR Revenue of the Hospital for the subsequent Rate Year, except that undercharges below the corridors specified in this section of

the Agreement and in Section B below will not be added to the Approved Regulated TPR Revenue for the subsequent Rate Year.

b) The Hospital agrees that it will not overcharge the limits of the Total Approved Regulated Revenue, and that it will take prompt action to gain compliance. In order to assure compliance, the HSCRC staff will apply penalties for charges exceeding the overall limits of the Approved Regulated TPR revenue, and such penalty amounts will be subtracted from the Approved Regulated TPR Revenue for the succeeding rate year as a one-time adjustment. Overcharge penalties will be applied based on the following tiers:

- For charges exceeding the limit up to .5% of the Approved Regulated TPR Revenue, there will be no penalty.
- For charges exceeding the limit from .51% up to 1%, there will be a 20% penalty applied,
- For charges exceeding the limit by more than 1%, there will be a 50% penalty applied.

The penalties will be summed and subtracted from the Approved Regulated TPR Revenue for the succeeding rate year. If the HSCRC staff determines that the Hospital intentionally overcharged, then the overcharge corridor exempting an overcharge of up to .5% will be eliminated, and a 20% penalty will be applied to the overcharge up to .5%.

c) Undercharges below the limit for Approved Regulated TPR Revenue will be subject to carryover limits, in order to assure the budgetary constraints of the All-Payer Model on a year-to-year basis. Undercharge limits will be applied as follows:

- For charges below the Approved Regulated TPR Revenue amount of up to .5%, there will be no penalty.
- For charges below the Approved Regulated TPR Revenue amount of .51% up to 1%, 20% of the underage will not be added back to approved revenues as a one-time increase in revenues for the subsequent rate year.
- For charges below the Approved Regulated TPR Revenue amount below 1% and 2%, 50% of the underage will not be added back to approved revenues as a one-time increase in revenues for the subsequent rate year.
- For charges below the Approved Regulated TPR Revenue amount below 2%, none of the underage will be added back to approved revenues as a one-time increase in revenues for the subsequent rate year.

d) Volume fluctuations near the end of the rate year may affect the Hospital's ability to comply with the overall corridors. The Hospital may submit a request for relief if there are unexpected volume fluctuations in the final months of the year. The HSCRC staff will review the request and make a determination whether to grant relief from the corridor.

2. Unit Rate Flexibility

The Hospital will be expected to monitor and adjust its unit charges on an ongoing basis to ensure that it operates within the Annual Regulated Revenue that is approved by the HSCRC under the TPR model and the revenue constraints that are applicable to its services that are regulated by the HSCRC and not covered by the TPR model. In order to facilitate the Hospital's compliance with these revenue constraints, the HSCRC will relax the rate unit rate compliance corridors that it generally applies to hospitals (and particular revenues) that are not governed by the TPR model. Specifically, the Hospital will be permitted to charge at a level up to five percent (5%) above the approved individual unit rates without penalty. This limit may be extended to ten percent (10%) at the discretion of the HSCRC staff if the Hospital presents satisfactory evidence that it would not otherwise be able to achieve its approved total revenue for the Rate Year. Similarly, the Hospital will be permitted to charge at a level up to five percent (5%) below the approved individual unit rates without penalty if it needs to lower its charges to meet its revenue constraints. This limit may be extended to ten percent (10%) at the discretion of the HSCRC staff if the Hospital presents satisfactory evidence that it needs this additional flexibility to meet its revenue constraints for the Rate Year. The Hospital will generally need to spread rate adjustments across all centers, avoiding adjustments concentrated in a few rate centers, unless it has received approval from HSCRC staff for an alternative approach. Charges beyond the corridors shall be subject to penalties as specified in HSCRC regulations in COMAR 10.37.03.05.

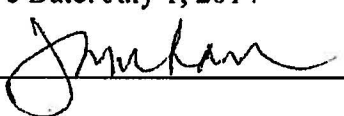

3. December 31 Target



While the rate agreement is based on a rate year of July 1 through June 30, calendar year compliance is critical to the All-Payer agreement with CMMI, where compliance is measured on a calendar year basis. The agreement is being amended to include a December 31 target.

As indicated in Section III. A. 1. above, the Hospital agrees that it will not overcharge the limits of the Approved Regulated TPR Revenue. In order to assure compliance with the All-Payer Model limits, the Hospital is provided a December 31 interim limit in Approved Regulated TPR Revenue of one-half of the total Approved Regulated TPR Revenue for the year, unless otherwise specified in the agreement. The Hospital agrees that it will maintain its charges at or below this limit in calculating revenue compliance for December 31 of the Rate Year.

IN WITNESS WHEREOF, the parties have caused this addendum to be executed by their duly authorized representatives as of the effective date below:

Effective Date: July 1, 2014

Attest:  by  Date 10/27/2015
Chief Executive Officer

Attest:  by  Date 10/27/2015
Executive Director
Health Services Cost Review Commission