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Health Services Cost Review Commission

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MEMORANDUM

To: Medicare Advantage Organizations and Chief Financial Officers-Maryland
All-Payer Model Teaching Hospitals

From: Dennis N. Phelps, Deputy Director, Audit & Compliance

Date: February 18, 2020

Re: Hospital Reimbursement - Medicare Advantage Organizations

The purpose of this memorandum is to clarify the application of the Maryland All-Payer Model Waiver Differential (the "Differential"), the Graduate Medical Education (GME) Discount, and the Sequestration adjustment to the hospital bills of Medicare Advantage Organization (MAO) members.

At the initiation of the original Medicare Waiver Agreement, Medicare was provided a 6% differential. A differential is different than a discount. Hospital charges are marked up to allow governmental payers, e.g., Medicare and Medicaid, to pay less than approved rates. The amount that some payers pay less is built into hospital rates so that other payers will pay above approved charges, and the hospital will receive its approved revenue. In accordance with the waiver agreement, the differential, currently 7.7%, is applied to total billed charges.

The GME Discount enables the passing along of the savings to Medicare Advantage Organizations (MAOs) from the double GME payments made to Maryland Teaching Hospitals. Specifically, pursuant to the Balanced Budget Act

of 1997, Medicare payments for direct (DME) and indirect (IME) GME payments are carved out of Medicare MAO's capitation rates. Since HSCRC- approved rates also contain a provision for GME, the GME Discount ensures that the direct payments from Medicare to hospitals are passed along as savings to MAOs. Since the GME Discount is intended to generate a specific sum of revenue, it is to be applied to total billed charges.

In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, Sequestration was implemented on April 1, 2013. Sequestration reduced Medicare Fee-for-Service payments to providers including hospitals, to MAOs, and Medicare Part D sponsors by 2%. Subsequently, it was determined that MAOs should also reduce payments to providers, including hospitals by 2%. The Sequestration adjustment is applied to the amount to be paid by the MAO after all differentials and discounts.

The GME Discount is up dated annually. Attached you will find an example of MAO hospital reimbursement and the actual discounts for FY 2020.

If you have any questions, you may contact me at 410-764-2565.

MEDICARE ADVANTAGE REIMBURSEMENT - EXAMPLE

A	BILLED CHARGES		\$	1,000.00	
B	MEDICARE WAIVER DIFFERENTIAL - 7.7%	\$	77.00		
C	GME DISCOUNT - 3%	<u>\$</u>	<u>30.00</u>	<u>\$</u>	<u>107.00</u> A * (B + C)
	ALLOWED/COVERED CHARGES		\$	893.00	
D	MEMBER LIABILITY - 20%		<u>\$</u>	<u>200.00</u> *	A* 20%
E	PLAN OBLIGATION		\$	693.00	
F	SEQUESTRATION ADJUSTMENT - 2%		<u>\$</u>	<u>13.86</u>	E * 2%
G	PLAN PAYS		\$	679.14	

* Members do not share in the Differential or GME Discount

FY 2020 GME DISCOUNTS

<u>Hospital</u>	<u>1-Jul-19 30-Jun-20 GME Discount</u>
MedStar Franklin Square Hospital	2.95%
GBMC	0.00%
MedStar Good Samaritan Hospital	1.87%
MedStar Harbor Hospital	12.55%
Holy Cross Hospital	0.00%
Johns Hopkins Bayview Medical Center	0.44%
Johns Hopkins Hospital	0.00%
Mercy Medical Center	2.41%
University of Maryland Midtown Campus	2.61%
University of Maryland Prince George's Hospital Center	0.00%
Sinai Hospital	2.76%
St. Agnes Hospital	2.81%
Suburban	0.00%
MedStar Union Memorial Hospital	3.85%
University of Maryland Medical Center	0.97%