



TO: Chief Financial Officers

FROM: Gerard J. Schmith – Deputy Director, Hospital Rate Setting *MSD*

DATE: July 1, 2021

RE: Required Annual Updates to the GBR Agreement Appendices

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The GBR Agreements require annual updates of certain appendices. Specifically, each GBR Hospital must update Appendices F and G on an annual basis. The applicable GBR agreement provisions relating to initiation of ventures outside the hospital and shifts to an unregulated setting are provided in the following paragraphs below.

Section IV.B.3a of the Global Budget Agreement states the following:

The HSCRC and the Hospital recognize that some services may be offered more effectively in an unregulated setting. When services covered by the GBR model are moved to an unregulated setting, the HSCRC staff will calculate and apply a reduction to the Hospitals' Approved Regulated Revenue. At a minimum, the reduction will ensure that the shift provides a savings to the public and Medicare after taking into consideration the payment amounts likely to be made for the same services in an unregulated setting.

Furthermore, section VI.3 of the Global Budget Agreement states the following:

Significant changes in the healthcare delivery system in the Hospital's Primary and Secondary Service Areas could influence the appropriateness of the Approved Regulated Revenue established for the Hospital under this Agreement. Therefore, the Hospital agrees to declare and describe, in Appendix G, any financial interest (or control) it hold in other hospitals or entities that provide services, including non-hospital services, in the Hospital's Primary and Secondary Service Areas, as of the Effective Date of this Agreement.

In addition, the Hospital agrees to inform the HSCRC at least thirty (30) days in advance, in writing, or at the earliest practicable time thereafter, of any acquisitions or divestitures which it undertakes regarding such interests. ¹ The HSCRC may request data from the Hospital, on periodic or ongoing basis, regarding the utilization of the services provided by such related entities, to ensure that the Hospital complies with the GBR constraint through better management of its existing regulated services and not by moving services from the HSCRC – regulated sector to unregulated sectors of the hospital or non-hospital environment in ways that do not comport with the objectives of the GBR model, the Three Part Aim and the final contract between CMMI and the State of Maryland.

You must complete these disclosures for FY 2021 and return them no later than July 31, 2021. To facilitate your meeting this requirement, these forms have been attached to this memorandum. If you do not have any changes from FY 2020 to FY 2021 to report, please indicate that on the appropriate form and return it.

Please timely email all completed appendices and disclosures to your analyst by July 31, 2021. Staff may approve extension until August 14, 2021, upon written request.

Thank you.

¹ This would include the purchase of divestiture of physician practices, joint-venture arrangements with other providers to establish unregulated services that duplicate or could substitute for regulated services currently provided by the Hospital (such as, but not limited to, unregulated clinic, urgent care, or ambulatory surgery services), or other non-hospital services.