# MARYLAND ALL PAYER MODEL

## COST DRIVERS INFORMATIONAL FORUM

FEBRUARY 3, 2023

# Maryland All Payer Model



**In Maryland, hospitals are paid under all-payer global budgets that are set in advance for inpatient and outpatient hospital-based services, regardless of utilization. Hospitals may retain shared savings related to reductions in utilization**

## Core Initiatives

- **Global Budget Model**
  - Independent Commission sets fixed global budgets for hospitals
    - Budgets are based on each facility's revenues from CY 2013 (base period)
    - Budgets are adjusted to account for inflation, changes in service area demographics, market shifts, and other factors (e.g., quality performance, uncompensated care)
    - Hospitals are paid at unit rates approved by the State's independent commission; rates are incrementally adjusted up or down throughout the year, based on varying volume, to stay within the global budget cap
    - Spending over the cap is subtracted from the following year's budget and savings are added to the subsequent year's budget

## Financing Mechanism

- Independent Commission sets fixed global budgets for hospitals across payers
- Payers continue to pay claims on a fee-for-service basis, with rates flexing up or down so that hospitals hit budgets for a given year

# Maryland All Payer Model



**Global budgets ensure predictable revenue for hospitals, allowing them to potentially reinvest savings**

## Core Initiatives

- **Global Budget Model**
  - Model includes inpatient and outpatient hospital services
  - Participation is mandatory for the state's 47 acute care hospitals
    - Participation was not always mandatory
    - Maryland tested the global budget model among 10 rural hospitals in a 2010 pilot program before expanding to all hospitals in the state
  - Participation is mandatory across Medicare, Medicaid, and commercial payers

# Maryland All Payer Model



**Success under the global budget model depends on methodology for setting and adjusting the global budgets year over year**

## Implications for Maryland Hospitals

- Provides hospitals with predictable funding year over year
- Success with fixed global budgets largely depends on the State's methodology for adjusting rates
- Success in Maryland tied to state's independent and transparent Health Services Cost Review Commission (HSCRC), that helped insulate the global budget process from conflicts of interest and political pressures; the commission strives to build consensus among hospitals and payers
- By guaranteeing hospital revenue independent of inpatient volume, hospital have the opportunity to reinvest in new initiatives

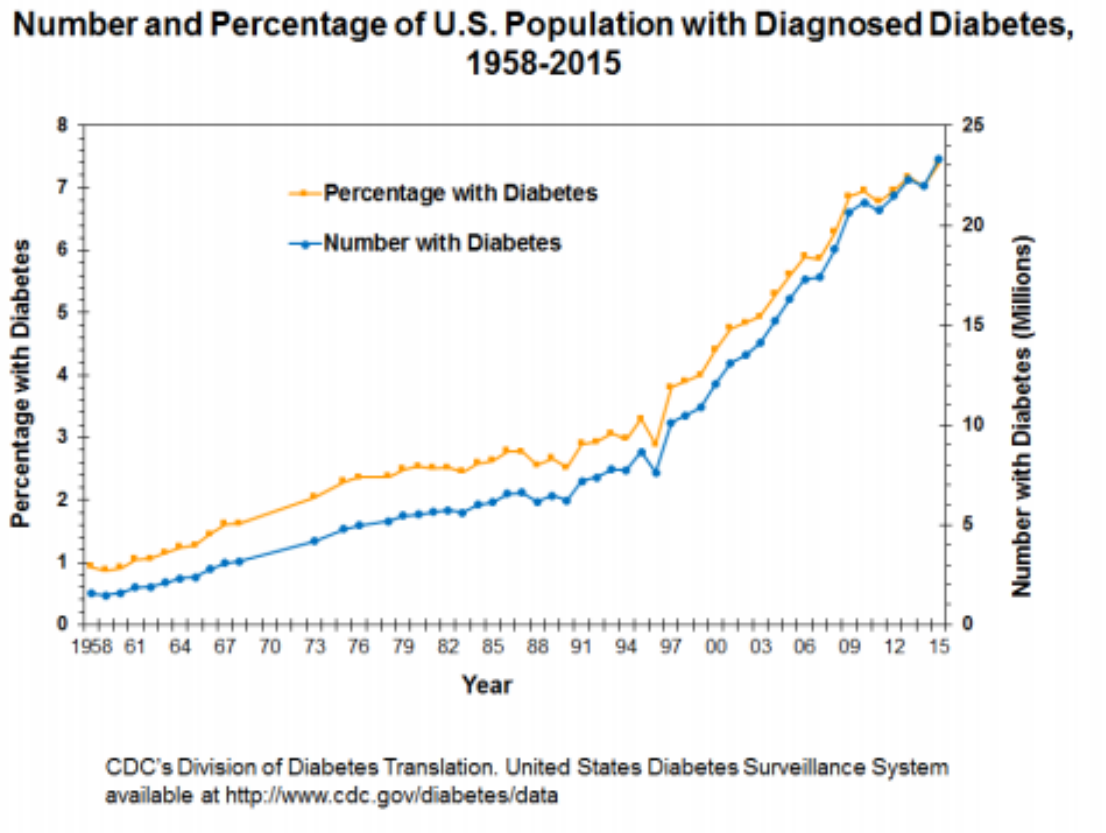
## Limited Opportunity Today

- CMS increased Medicare payments in Maryland so that Medicaid, Medicare, and commercial rates would be equivalent.
- **Because of the budget neutrality requirements imposed on the Center for Medicare and Medicaid Innovation (CMMI), it seems unlikely that CMS would increase Medicare payments in another state.**
- **Would also require substantial new state investments in Medicaid rates, which are subject to federal limits that did not apply to Maryland**

# Social Drivers of Health (SDOH)



**Social drivers of health are a major contributor to healthcare cost growth in Connecticut—driving the prevalence of chronic illness and the avoidable use of services by those who have these conditions**




As of 2017/2018…

357,000 - more than 12% - of Connecticut adults had diabetes

More than double this figure (944,000) are estimated to have pre-diabetes

$1 in $7 Healthcare dollars is spent treating diabetes and its complications $ $ $ $ $ $ $

Estimated $3.7 billion annual cost in Connecticut

http://main.diabetes.org/dorg/docs/state-fact-sheets/ADV_2020_State_Fact_sheets_CT.pdf Centers for Disease Control and Prevention. Behavioral Risk Factor Surveillance System (BRFSS) https://www.cdc.gov/BRFSS/.

# Opportunities for Connecticut



**In search of more innovative and comprehensive approaches to healthcare cost growth: Learning from other states**

**Oregon Health Section 1115 Demonstration**

**MassHealth Section 1115 Demonstration**

**North Carolina Section 1115 Demonstration**

**Vermont Section 1115 Demonstration**

**Infrastructure and Services to Address Patients' SDOH Care Needs** *(MA, NC, OR, VT)*

**Upstream Investments in Public Health and Health-Related Services** *(VT)*

**Community Collaboratives to Coordinate Health Equity Investments** *(OR pending)*

**Workforce Investments e.g., Loan Repayment and Recruitment Bonuses** *(MA, OR pending)*