Hospital Global Payment—Lessons Learned

Discussion Outline for New Mexico Legislative Health And Human Services Committee

November 21, 2024

Overview

- Discuss experience with global hospital payments (Maryland focus)
- Lessons learned

A global hospital model sets fixed prospective payments for total inpatient and outpatient hospital services in advance

- Moves away from payment for volume (hospitals continue encounter billing)
- Incentives focused on avoidable utilization and cost, predictable revenues, improved payment levels
- Rewards better outcomes

Maryland has operated a successful global hospital payment model for 10+ years---2014 to present, hospital rate setting since the 1970s

Hospital Global Revenues	Primary Care Program	Care Redesign Programs	Health Improvement Strategy
Presets fixed total hospital revenues, outcomes-based payments.*	Enhanced per person payments for chronic care, mental health, preventative care.	Transforms across the system with aligned incentives and programs.	Targets and rewards for better health, e.g., diabetes, maternal and child health, more….

CRISP—Maryland's Robust Health Information Exchange/Data Infrastructure

*Includes an incentive payment for TCOC = Total Cost of Care performance

Lessons Learned and Questions

APPENDIX

Hospitals Seek to Grow Volume Under FFS Systems to Augment Profits and Make Up for Rate Increases Below Inflation

MedPac shows largest hospital growth driver was outpatient volume increases from 2012-2017

TABLE 3–2

Hospital outpatient departments had strong spending growth for separately payable drugs, observation care, ED visits, clinic visits, and chemotherapy administration, 2012–2017

Service or item	Spending (in billions) 2012	Spending (in billions) 2017	Percent change 2012–2017	Driver of growth
Drugs	$6.0	$12.0	99%	High-cost drugs, increased volume, shift from physician offices
Observation care	0.9	3.1	263	Larger payment bundle
ED visits	2.4	4.1	72	Larger payment bundle, coding to higher levels
Clinic visits	1.9	3.4	81	Shift from physician offices
Chemotherapy administration	0.4	0.7	84	Shift from physician offices
Total	43.2	65.5	52	

Note: ED (emergency department). Spending includes both program outlays and beneficiary coinsurance. "Drugs" refers to Part B drugs that are separately payable under the outpatient prospective payment system, which includes pass-through drugs and drugs that are separately payable but do not have pass-through status.

Source: MedPAC analysis of 2012 and 2017 hospital outpatient standard analytic claims files and data from the CMS Office of the Actuary.

Hospitals on global budgets do not improve results by shifting from physicians' offices to hospital settings

Selected Maryland global hospital payment model achievements

- **Lower total cost growth, improved quality**
  - Lower avoidable admissions* and readmissions (higher unit rates)
  - Improved quality outcomes
  - Low intensity outpatient services grow in community settings, reversing "buy and bill" at higher hospital rates
- **Integrated a well-funded primary care program**
- **Improved infrastructure**
  - Improved health information exchange, availability at the point of care-- public/private approach
  - Enhanced data, analytic, and transformation infrastructure--public/private approach

*Using nationally developed measures of admissions preventable with better community care and preventative services

States with global hospital models

Current or past

- **Maryland—**moving forward with AHEAD (cost containment and health focus)
- **New York (Rochester, Finger Lakes)—**no longer in operation, GAO scored successful
- **PA Rural Model**—stabilized participants, restructuring with sustainability focus, not participating in AHEAD

Proposed through CMS AHEAD Model (CMS new multi-state global hospital model)

- **Rhode Island** (higher cost state)
- **New York (urban safety net hospitals),** sustainability, health and avoidable utilization focus
- **Vermont** (following all-payer ACO) (lower cost state)
- **Connecticut** (higher cost state)
- **Hawaii** (lower cost state)

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