

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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FACT SHEET

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Maryland All-Payer Model to Deliver Better Care and Lower Costs

Overview and Background

On January 10, 2014, the Centers for Medicare & Medicaid Services (CMS) and the state of Maryland jointly announced a new initiative to modernize Maryland's unique all-payer rate-setting system for hospital services that will improve patient health and reduce costs.

Maryland operates the nation's only all-payer hospital rate regulation system. This system is made possible, in part, by a 36 year old Medicare waiver (codified in Section 1814(b) of the Social Security Act) that exempts Maryland from the Inpatient Prospective Payment System (IPPS) and Outpatient Prospective Payment System (OPPS) and allows Maryland to set rates for these services. Under the waiver, all third party purchasers pay the same rate. The State of Maryland and CMS believe that the new model test announced today will provide an opportunity for Maryland to reform its delivery system to align with the goals of delivering better health, better care, and lower cost.

Terms of the Model

Maryland's all-payer rate setting system for hospital services presents an opportunity for Maryland and CMS to test a unique model that has the potential to inform CMS and other states. This opportunity is available through the authority of the Innovation Center, which was created by the Affordable Care Act to test payment and service delivery models.

Under the terms of the Maryland All-Payer Model:

- Maryland will agree to permanently shift away from its current statutory waiver, which is based on Medicare payment per inpatient admission, in exchange for the new Innovation Center model based on Medicare per capita total hospital cost growth.
- This model will require Maryland to generate \$330 million in Medicare savings over a five year performance period, measured by comparing Maryland's Medicare per capita

total hospital cost growth to the national Medicare per capita total hospital cost growth.

- This model will require Maryland to limit its annual all-payer per capita total hospital cost growth to 3.58%, the 10-year compound annual growth rate in per capita gross state product.
- Maryland will shift virtually all of its hospital revenue over the five year performance period into global payment models, incentivizing hospitals to work in partnership with other providers to prevent unnecessary hospitalizations and readmissions.
- Maryland will achieve a number of quality targets designed to promote better care, better health and lower costs. Under the model, the quality of care for Maryland residents, including Medicare, Medicaid, and Children's Health Insurance Program (CHIP) beneficiaries will improve as measured by hospital quality and population health measures.
 - Readmissions: Maryland will commit to reducing its aggregate Medicare 30-day unadjusted all-cause, all-site hospital readmission rate in Maryland to the national Medicare 30-day unadjusted all-cause, all-site readmissions rate over five years.
 - Hospital Acquired Conditions: Maryland currently operates a program that measures 3M's 65 Potentially Preventable Conditions. Under this model, Maryland will achieve an annual aggregate reduction of 6.89% in the 65 PPCs over five years for a cumulative reduction of 30%.
 - Population Health: Maryland will submit an annual report demonstrating its performance along various population health measures.
- If Maryland fails during the five-year performance period of the model, Maryland hospitals will transition over two years to the national Medicare payment systems.
- Before the start of the fourth year of the model, Maryland will develop a proposal for a new model based on a Medicare total per capita cost of care test to begin no later than after the end of the five year performance period.

This model will test whether an all-payer system for hospital payment that is accountable for the total hospital cost of care on a per capita basis is an effective model for advancing better care, better health and reduced costs. CMS expects that this model will be used to engage all Maryland hospitals, as well as other care providers, in payment reform and innovation.

CMS and Maryland expect that the All-Payer Model will be successful in improving the quality of care and reducing program expenditures for Maryland residents, including Medicare, Medicaid, and CHIP beneficiaries. Moreover, the Maryland system may serve as a model for other states interested in developing all-payer payment systems.

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