Hospital Global Budget Working Group

June 26, 2023

Reminder: Why Are We Considering Hospital Global Budgets?

Hospital global budgets can be supportive of hospitals and payers and advance the Cost Trends Project objectives by:

- Ensuring steady, predictable hospital financing
- Providing increased flexibility to modify hospital service offerings to best meet community needs
- Producing positive outcomes without having adverse effects on hospital finances
- Controlling growth in hospital spending at an affordable level

Agenda

1. Discussion of Whether to Include Supplemental Arrangements
2. Public Comment
3. Next Steps

Discussion of Whether to Include Supplemental Arrangements

Types of Supplemental Arrangements

A hospital global budget model can include **supplemental arrangements and/or reporting requirements** to advance cost, quality, equity and population health.

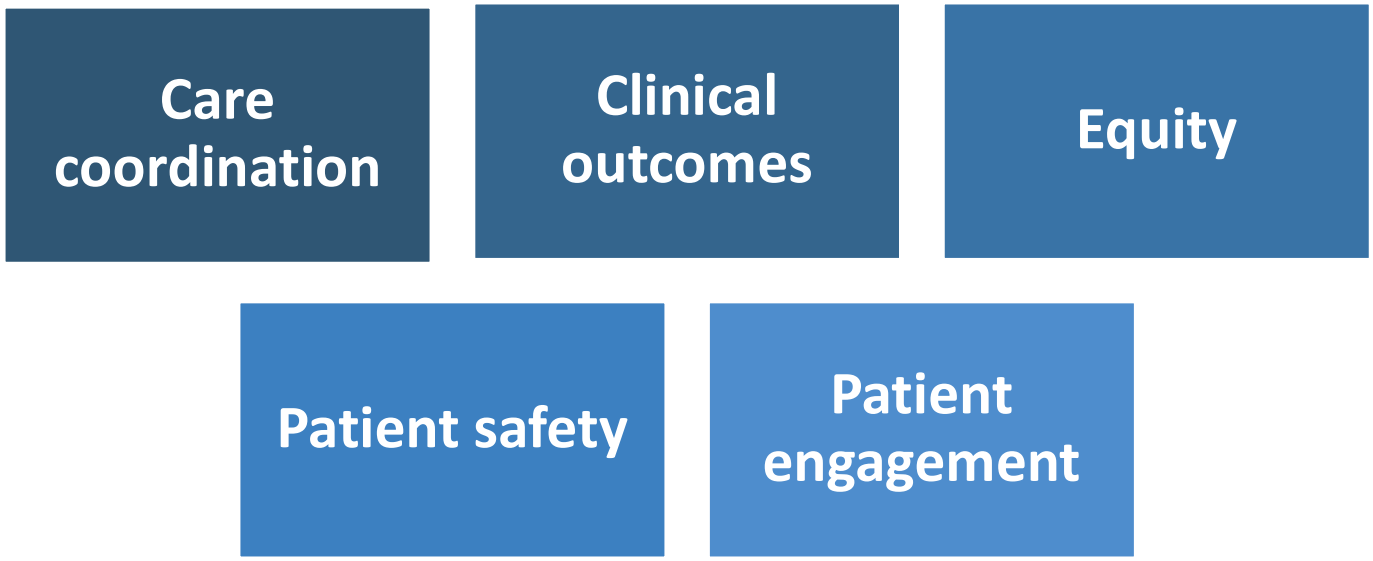
These arrangements can focus on:

- Incentivizing hospitals for quality and equity performance within the hospital system
- Incentivizing hospitals for cost, quality and equity performance outside the hospital system

We will discuss whether and, if so, how to incorporate supplemental arrangements (i.e., budget adjustments or performance incentives) and/or reporting requirements.

Incentivizing Hospitals for Performance Within the Hospital System

States can use quality measures to incentivize hospitals for performance **within the hospital system**, such as:



Other State Hospital-Focused Quality Programs (1 of 4)

Other states have incorporated quality into global budget arrangements in the following ways:

To adjust hospital global budgets	As complementary performance incentive arrangements	For monitoring and public reporting
• PA Rural Health Model quality adjustment for Medicare	• MD Quality-Based Reimbursement Program • MD Readmissions Reduction Incentive Program	• PA Rural Health Model statewide monitoring measures

Other State Hospital-Focused Quality Programs (2 of 4)

To adjust hospital global budgets

- PA Rural Health Model quality adjustment for Medicare

- CMMI adjusts the portion of hospital budgets for traditional Medicare patients based on quality performance
  - Initially intended to establish an All-Payer Quality Program, which was cancelled due to the COVID-19 pandemic
  - Now use Medicare hospital quality reporting programs

Other State Hospital-Focused Quality Programs (3 of 4)

As complementary performance incentive arrangements

- MD Quality Based Reimbursement (QBR) Program
- MD Readmissions Reduction Incentive (RRI) Program

QBR Program

- Up to 2 percent of inpatient hospital revenue is at risk
- 17 measures across 3 domains: person and community engagement, safety and clinical care

RRI Program

- Hospitals can receive up to 0.5% of their inpatient revenue for reductions in within-hospital readmission disparities

Other State Hospital-Focused Quality Programs (4 of 4)

For monitoring and public reporting

- PA Rural Health Model statewide monitoring measures

- Statewide quality measures for monitoring purposes
  - Hospital-specific focus areas: readmissions, ED use, care coordination after ED visits

OHIC Hospital-Focused Quality Requirements

Before we consider supplemental quality arrangements, it is important to consider existing quality incentive programs to that apply to RI hospitals, including:

- The OHIC Affordability Standards, which state that:
  - Hospital contracts shall include a quality incentive program that pulls from the OHIC Aligned Measure Sets and has sufficiently challenging performance levels for all measures.
  - A portion of a hospital's average rate increase is for expected quality incentive payments.
- The OHIC Aligned Measure Sets, which include measures from which insurers must select if they incorporate quality measures into payment terms for provider contracts.
  - There are two specific measure sets focused on acute care and behavioral health hospitals.

Should There Be A Supplemental Quality Arrangement?

Do you recommend including a supplemental quality arrangement that incentivizes hospitals to improve performance within the hospital system?

If so, do you recommend using quality:

- ***to adjust hospital global budgets?***
- ***as complementary performance incentive arrangement to the hospital global budget?***
- ***for monitoring and/or public reporting purposes?***

Incentivizing Hospitals for Performance Outside of the Hospital System

States can implement supplemental VBP arrangements and/or reporting requirements to incentivize hospitals for performance **outside of the hospital system**.

1. Quality measures focused on the community
2. Total cost of care (TCOC) arrangements

Supplemental Quality Measures Focused on the Community

One of the goals of a hospital global budget model is to provide hospitals with the flexibility to redeploy their assets to best meet the needs of the community.

One way to incentivize this behavior is through use of community-focused quality measures, such as improved access to primary and behavioral health care services. States can use such quality measures:

- to adjust the hospital global budget,
- in supplemental incentive programs, such as P4P arrangements, and/or
- for monitoring purposes.

Is the Working Group interested in exploring use of community-focused quality measures? If so, how?

Supplemental TCOC Arrangements

A hospital global budget could also include adjustments based on hospital performance on TCOC.

- In Maryland, hospitals receive an adjustment for the Medicare FFS portion of their budget based on the TCOC for an attributed population.
- Vermont is considering a similar adjustment for its hospital global budget model.

Before considering this issue, it would be useful to examine:

- How hospital global budgets affect current ACO shared savings arrangements
- The populations captured by hospital global budgets and TCOC models
- The risk associated with TCOC models and hospital global budgets

How Hospital Global Budgets Affect Shared Savings Under Current ACO TCOC Arrangements (1 of 2)

Under a flexible global budget, hospitals' fixed costs are covered regardless of volume fluctuations.

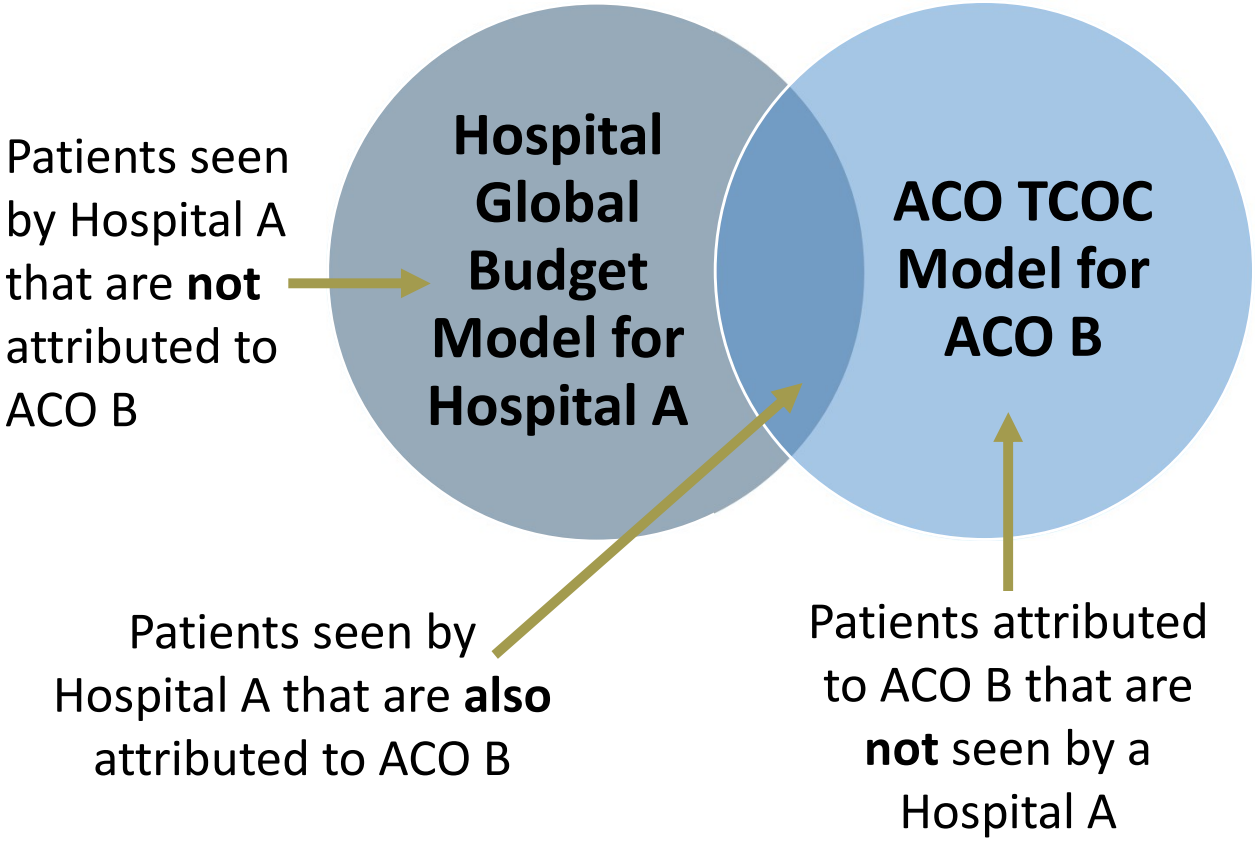
The fixed/variable cost ratio determines the incentives to manage care: the higher the fixed/variable cost ratio, the greater the incentive to reduce preventable and avoidable utilization.

How Hospital Global Budgets Affect Shared Savings Under Current ACO TCOC Arrangements (2 of 2)

Compared to FFS, the increase/decrease in hospital payments as a result of increased/decreased utilization is smaller.

- Spending on hospital services will still vary based on utilization providing an opportunity for ACOs to still share in the savings.
- However, the level of shared savings will be smaller compared to FFS.
- ACOs and hospitals could enter their own shared savings arrangements since the ACO and community providers can be critical partners for helping the hospital manage to the global budget by reducing avoidable admissions and ED visits, and transitioning patients to community care.

Hospital Global Budgets and ACO TCOC Models Capture Different Populations



Findings from 2021 Cost Trends Project

- 45% of commercial members are not attributed to RI ACOs and represent nearly 40% of spending
- Nearly 30% of Medicaid members are unattributed and represent nearly 30% of spending

Total Cost of Care Risk vs. Hospital Global Budget Risk

TCOC Risk	Global Budget Risk

• Risk is relative to total health care expenditures for the attributed population.
  • Not all services are delivered by the hospital entity.
• TCOC risk relative to hospital entity services (revenue) depends on the proportion of services delivered by the hospital entity.
• Results are impacted by coordination of care across provider entities (i.e., not isolated to the hospital entities).
	• Risk is relative only to services (revenue) delivered by the hospital entity.
	• Level of risk typically involves a comparison to fee-for-service (FFS) potential.
	• Results are impacted by hospital entity cost and utilization.
	  • Some components a hospital entity can control.
	  • Some components a hospital entity cannot control.

Supplemental TCOC Arrangements

We propose NOT to include a TCOC budget adjustment for Rhode Island because:

- It would be challenging to define an attributed population for each hospital given how close hospitals are geographically.
- The majority of ACOs in the state are hospital-based and are already participating in TCOC arrangements that incentivize them to reduce TCOC.

Do Working Group members have any concerns with this approach?

Potential CMMI Model Requirements

If Rhode Island enters into an agreement with CMMI to implement a hospital global budget model, CMMI may require some additional model requirements, including:

Statewide quality measures/ targets

- **MD TCOC Model**: increase timely follow-up care after acute exacerbation of chronic conditions, reduce the mean BMI among MD residents, decrease opioid/drug overdose mortality rate
- **PA Rural Health Model**: increase access to primary and specialty care, decrease SUD-related mortality rate, improve access to treatment for opioid abuse

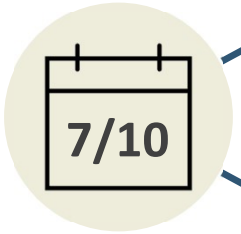
Hospital transformation plans

- **PA Rural Health Model**: hospitals develop and receive approval on a plan to redesign care delivery to invest in population health, meet the needs of the local population, and emphasizes preventive care

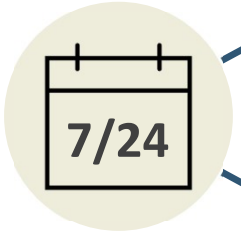
Public Comment

Next Steps

Working Group Meeting Plan and Schedule



- Continue discussion of whether the model should include supplemental arrangements to improve cost and quality/population health
- Next steps and wrap-up



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