Obamacare May Not Be So Bad After All: The Maryland Experience Shows Why

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Disclosures

• None

Objectives

• Identify cost savings under the state-wide payment reform.
• Identify changes in patient care brought on by this payment reform.

Prologue to the ACA

• Fundamental assertion: higher health care spending does not equate with better outcomes.
• December 2008, CBO publishes 236p document:
  – 115 options for reform
  – Double the # options over 2006
  – +/- effect on deficit.

The Maryland Experiment (w/ Hopkins, UMaryland, MedStar)

• ACA provided new authority to CMS:
  – Reduce per capita growth rate of Medicare
  – Institute new payment methodologies.
• Maryland has a waiver from Medicare since 1970.
  – HSCRC is commissioned to set hospital rates.
  – Private and public insurance programs.
  – Reduced cost shifting.
  – Equitably spread payment for uncompensated care.

Maryland Experiment, circa 2008-2013

• HSCRC set rates annually for hospital profit (1-3% per annum)
• Only way to increase profit was to increase admissions.
  – Net effect:
    • Maryland had the highest per capita hospital costs in the USA.
    • Total inpatient and outpatient expenditures are growing faster than any other state.
Maryland Experiment 2013-2019: Full Capitation, aka Population Health

- Maryland will hold MC per capita hospital inpatient and outpatient costs to 3.58% growth over 5yrs.
  - All payers
  - Cash register is not replenished

- Hold Medicare to 0.5% per capita cost UNDER the US avg.

- $330,000,000 Medicare savings over 2014-2019.

Upset in the Natural Order

- HSCRC traditionally set the rates at which hospitals could charge for care.
- Now HSCRC essentially decides what the hospital budgets will be…

- Emphasis is now not to fill beds, but keep patients home.
  - Particularly HDHPs…
  - Hospitals are strapped for capital improvements

Halfway Point (2013-7/2015)

- Already saved $325 million!
  - Goal was $330 million over 5yrs.

- Per capita Hospital Spending now 5% below USA average

- Readmission rate is 0.5% below USA average.

- Regulators recognized they couldn’t forecast patient volumes…
  - “Baked in” 0.5% margin for unforeseen events
  - $80 million per year in 2015, 2016.

Engagement of Hospitals in Maryland

- Variable…..
  - Some hospital systems closed beds in poor communities.
  - Concentrated services lines into hospitals - “Right Sizing”

- Increased traffic for referrals and ED traffic at JHH.

- To make this work at JHH:
  1. Care coordinators
  2. ED managers to connect pts to PCP resources
  3. Medication deliveries
  4. Shift care/procedures out of hospital

3 year Report Card…..

- $429,000,000 in Medicare Hospital Savings!
  - Shift in hospital care to ambulatory centers:
    - $129,000,000 in non-hospital costs (ambulatory).
    - Total savings of $310,000,000
  - Hospital spending growth is now below MD state economy growth

- “Bending the curves” of Health Care v GDP!

Potentially Preventable Conditions (PPCs)

- Every PPC is reviewed monthly by Division Chief

- Hospital Penalties if PPCs significantly above average

- Defense:
  - Proper documentation for complexity (O/E)
  - Exclusions
Maryland Experiment: Summary

• Regardless of party, all lawmakers agree to move from volume-based to value-based payment.
• Maryland system is now held up as national model
• American Enterprise Institute has attacked Maryland
• Lawmakers should maintain full coverage of effective preventative services

Thank you