



Maryland  
Hospital Association

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## SETTING HOSPITAL RATES – TIME TO UPDATE THE SYSTEM

### THE ISSUE

The rates that Maryland's hospitals are allowed to charge for their services are set by a state agency under a system that is unique in the nation. This rate-setting system, created more than 40 years ago and fully supported by hospitals, ensures that all payors for hospital services-- insurance companies, HMOs, Medicare and Medicaid, and self-insured individuals and businesses--pay the same amount for the same hospital service. The benefits of this system for Marylanders are many: It keeps hospital costs in check by ensuring that Maryland's costs rise more slowly than those in other states. It ensures access to care for the uninsured by spreading the cost of their care widely and evenly. And it provides a level of transparency and accountability unseen in other states. The problem? Health care has changed dramatically over the decades, and Maryland's unique system needs to catch up.

### WHAT WE'RE FOR

**Maintaining the waiver**--Maryland's unique rate-setting system is made possible by a waiver from the federal Centers for Medicare & Medicaid Services, which determines what hospitals will be paid for taking care of Medicare patients. Under the waiver, Medicare and Medicaid reimburse Maryland's hospitals not at federal rates, but at the rates that the state's rate-setting commission deems appropriate for all payors. A requirement of the waiver is that the growth in cumulative hospital costs in Maryland must be below the growth nationwide. Maryland has been very successful meeting that requirement, but the problem is that the complex test used to comply with the waiver is based almost exclusively on inpatient care. Meanwhile, health care today is less about inpatient hospital stays and more about outpatient services, prevention, and overall quality, with a focus on what is known as the Triple Aim: better care for individuals, better health for communities, and lower costs.

- **The Maryland Hospital Association** is working with the state on the requirements and measurements that should define a modernized waiver that more effectively reflects today's modern world of health care delivery. This includes compiling and sifting through volumes of complex facts and figures, and "modeling" them to build the best system for the future. State officials, in turn, are meeting regularly with the Centers for Medicare & Medicaid Services, the federal agency that administers those programs, to translate this work into a modernized waiver.

**Making Maryland a national model**--Maryland's hospitals are proud to share our state's pioneering heritage. We have historically been a model for the nation in areas like quality initiatives, voluntary reporting of finances and quality outcomes, and more. In fact, the Maryland Hospital Association is the only state hospital association that is, by bylaw, led by hospital trustees instead of hospital executives. Maryland's ability to get things done is built on the willingness of all stakeholders--hospitals, insurance companies, state agencies and others--to understand the unique needs of Maryland's communities, and to work together to meet those needs. Modernization of Maryland's singular hospital rate-setting system is the latest in a long tradition of efforts to make Maryland a national leader when it comes to taking care of its citizens and making its communities healthier.