



# Introduction to Global Hospital Budgets

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# What Is an All-Payer Global Hospital Budget?

- ▶ An approach to paying for hospital care that provides a set budget for hospital charges across all payers.
- ▶ Within guard rails, and some accommodations for unanticipated events, hospitals receive the budget amount irrespective of patient volume.
- ▶ The budget is adjusted year over year, based on a variety of factors, including population changes, inflation, market shifts, and quality programs.

# Why All-Payer Global Hospital Budgets?

- ▶ Fee-for-service hospital payments (1) increase health costs; and (2) As volumes fall, fee-for-service threatens the viability of hospitals in many areas.
- ▶ By contrast, global budgets:
  - ▶ Provide stability to hospitals, allowing them to shift services based on community needs
  - ▶ Create a way for hospitals to “make money” through prevention and control overall costs

# RTI Evaluation of Maryland's First Global Budget Model

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## Evaluation of the Maryland All-Payer Model

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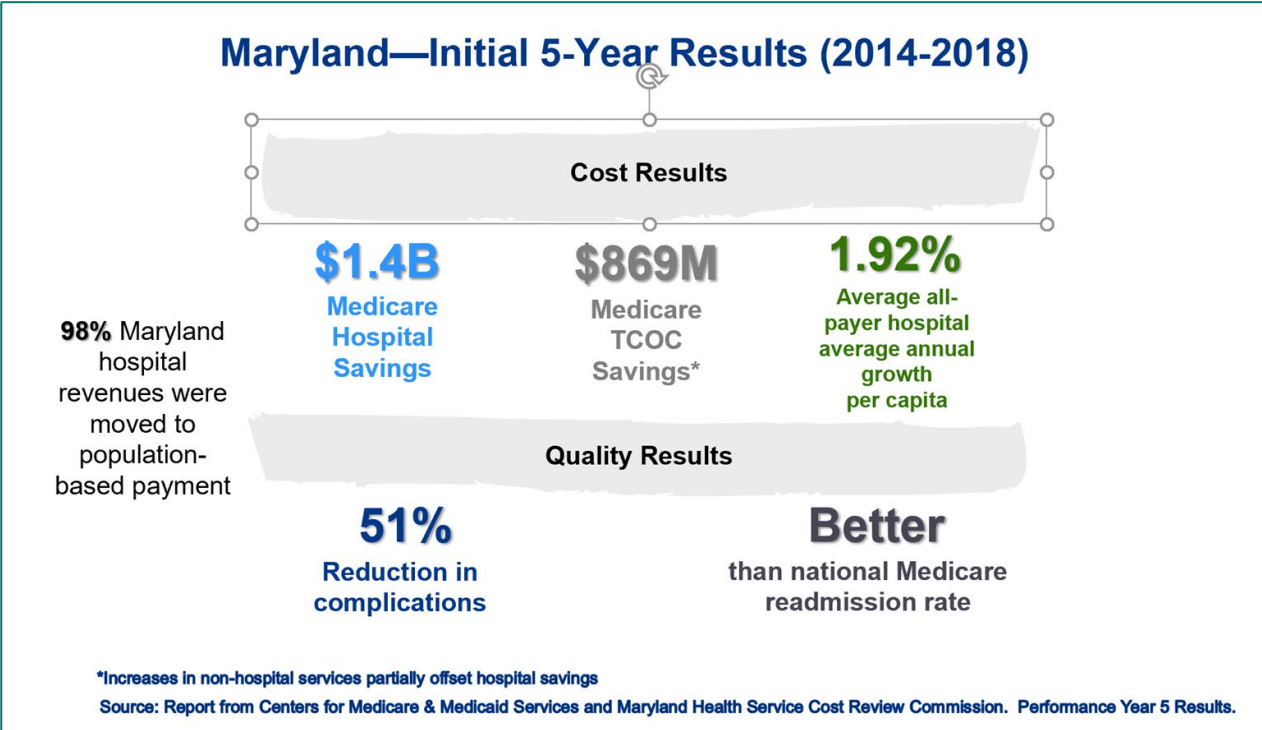
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- Hospitals were able to operate within their global budgets without adverse effects on their financial status.
- Admissions for ambulatory care sensitive conditions declined in both the Medicare and commercial populations.
- Low-income Medicare patients and those with chronic conditions had more favorable outcomes.
- Also: Need for additional coordination with community providers, particularly in areas like behavioral health.

# Maryland Top Line Results, First Model (2014-2018)



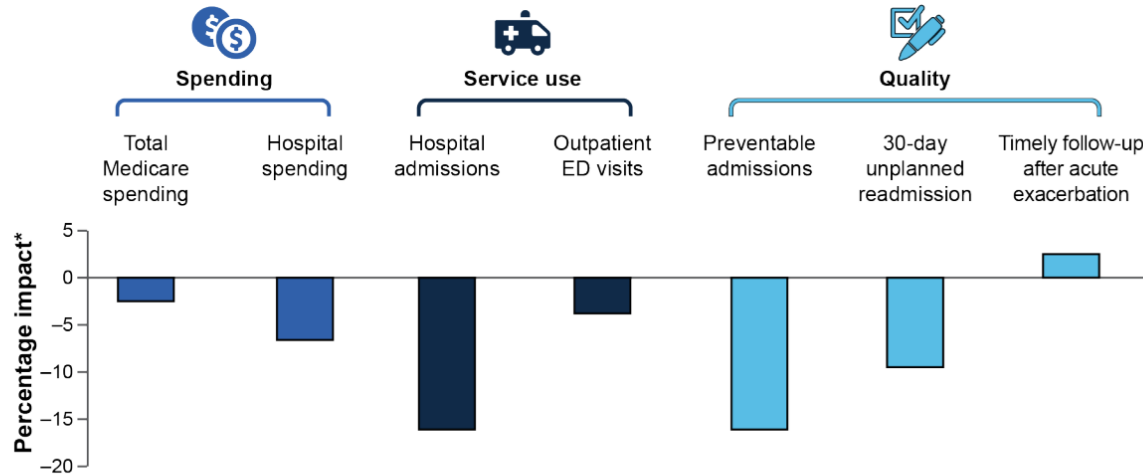
# Maryland's Second Model: Known as "Total Cost of Care"

- ▶ Continues hospital global budgets
- ▶ Makes primary expectation the reduction in total cost of care for Maryland residents in the Medicare program (and all-payer)
- ▶ Adds a primary care medical home model to coordinate with hospital model.
- ▶ Permits hospitals to make investments in related services, including behavioral health. For example, the hospital system is investing more than \$40 million in crisis response services in the Baltimore area.

# Second Maryland Model 2019-2021

## FINDINGS

In the MD TCOC period (2019-2021), the Model had favorable effects in three domains.



\*The impact is the difference between the outcome that occurred in Maryland and the outcome we estimate would have occurred if Maryland and CMS had not made any of the changes they did starting in 2014. To put all outcomes on a common scale, we express each impact as a percentage (impact estimate divided by the comparison mean).

# Opportunity for Other States

- ▶ The CMS AHEAD model
- ▶ States or regions could opt into global hospital budgets with Medicare and Medicaid participation
- ▶ Private insurers will have avenue to participate as well



# Key Issues for States on Global Budgets

- ▶ *Savings Targets.* What is realistic?
- ▶ *Scale.* How much of revenue is part of budget?
- ▶ *Fairness.* How are adjustments being made?
- ▶ *Innovation.* Can hospitals deliver care differently to enhance prevention?
- ▶ *Community Connections.* Can collaborations deliver value?