LARRY HOGAN
GOVERNOR

STATE OF MARYLAND
OFFICE OF THE GOVERNOR

January 13, 2017

The Honorable Kevin McCarthy
Majority Leader
United States House of Representatives H-107
U.S. Capitol Building
Washington, D.C. 20515

Dear Majority Leader McCarthy:

Thank you for the opportunity to provide input regarding the potential changes to the Affordable Care Act and Medicaid. My administration is committed to working with you and the incoming administration to identify and implement cost-effective strategies that deliver both short-term stability and long-term improvements to our health care system. While this letter is not a statement in support of any act of Congress, Maryland has a history of efficiently leveraging federal dollars for innovative and efficient health care solutions, and we hope that our lessons learned may serve as an example for establishing a nationwide model.

Maryland is home to the highest performing Medicaid Managed Care Organization in the United States and is ranked as the second best state for health care, according to a recent study of cost, access and outcomes. A key to Maryland's success is our unique All Payer Hospital Model ("All Payer Model"), which has allowed Maryland to contain cost, provide access to indigent patients through private hospitals, and limit cost shifting across payers even before implementation of the Affordable Care Act. In 2013, when Maryland's original All Payer Hospital "Waiver" became the All Payer "Model" under the Affordable Care Act, we moved away from a volume-based system to focus on outcomes and total hospital costs per capita, while retaining the important elements of access to care and limits to cost shifting. Continuing this All Payer Model is vitally important to the citizens of Maryland and to my administration, and may serve as a model for other states. For example, this type of global per capita hospital model is one potential strategy to address the critical financial condition of rural hospitals in tandem with the health needs of their communities. Other states may benefit from similar flexibility to accomplish broad changes in health care delivery and cost containment, and Maryland is well-situated to provide technical assistance that may be necessary nationwide.

Maryland Health Landscape: Maryland continues to be a leader in health care coverage with nearly 94 percent of our residents insured. our uninsured rate decreased from 10.2 percent in 2013 to 6.6 percent in 2015. Over 260,000 Marylanders have health care coverage as a result of Medicaid

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expansion, and more than 150,000 Marylanders currently receive coverage through Qualified Health Plans in the individual market.

Over the years Maryland has demonstrated innovation in health insurance coverage by enacting small group market reforms and by establishing a high risk pool to help mitigate risk shifting to carriers. The small group market provided individuals and employers with fewer than 50 employees with coverage that was guaranteed issue and guaranteed renewal, with modified community rating, and limited medical underwriting requirements.

Additional flexibility and continued federal partnership will allow Maryland and other states to continue to improve access to high quality coverage. State flexibility to oversee individual market rules would allow Maryland to continue to be an innovator in cost reduction, providing stability for carriers and increasing choice for consumers, as was the case before implementation of the Affordable Care Act. The national trend of skyrocketing premiums is simply unsustainable, and warrants Congressional action.

Maryland operates a Children's Health Insurance Program, a Medicaid expansion program, called the Maryland Children's Health Program. In an effort to encourage personal responsibility, the state has required higher income families (between 200 percent and 300 percent of the Federal Poverty Line) to pay a monthly premium. Similar premium payments are required for our Employed Individuals with Disabilities Program. These examples of fiscally responsible requirements make health care possible for all Marylanders.

Payment and Delivery System Reform: Through significant hospital payment reform, Maryland has delivered savings while meeting or exceeding important quality metrics. Under Maryland's All Payer Hospital Model, the state has agreed to produce $330 million in cumulative Medicare hospital savings over 5 years by holding the growth in Maryland Medicare fee-for-service hospital spending below the national Medicare growth rate. After only 3 years, the State has exceeded that savings target by producing $429 million in hospital savings to the Medicare program. All hospitals in the states have Global Budget Agreements which create incentives to contain cost through reductions in readmissions and delivering care at the most appropriate and least costly venue. In addition, the state has undertaken efforts to allow more Marylanders to age-in-place by implementing programs like Community First Choice and Money Follows the Person, which shift individuals from costly institutional settings to community-based settings.

Process Reform: While we recognize that reform takes time and requires significant stakeholder engagement, federal processes can be long, arduous, and paper intensive. We welcome any opportunity to streamline approval processes for programmatic changes that require federal review for Medicare, Medicaid and private sector coverage. We value the opportunity to highlight Maryland's All-Payer Model to demonstrate the effectiveness of the innovations a state can make in health care delivery and cost containment when it is provided flexibility.

Medicare/Medicaid Dual Eligible Beneficiaries: Medicare-Medicaid dual eligible beneficiaries are a high-need, high-cost population that demand extraordinary care coordination efforts to generate favorable outcomes. Dual eligible beneficiaries often consume services that could be avoided with the right early and sustained interventions. Designing a model to improve care, health outcomes and quality of life, while also containing spending at both the federal and state levels, requires the alignment of both programs to avoid incentives that lead to needless costs and cost shifting.

To date, Maryland has exempted dual eligibles from its Medicaid managed care program, HealthChoice. Recognizing that close alignment with the state's All Payer Model is beneficial for this population, the state is developing a Medicare-Medicaid Duals Accountable Care Organization (D-ACO) model of value-driven care coordination to serve dual eligible beneficiaries. Though the key elements are built upon recognized models, Maryland's new model will be innovative and easily replicable. The model centers on primary care and features value-based purchasing and provider accountability for cost and quality, which is fundamental to reducing the growth of health spending in Maryland.

On behalf of my administration and the residents of Maryland, thank you for your continued leadership in the United States Congress and for your efforts to improve health care coverage and the delivery system across our country. We believe that our current All Payer Model represents innovation and efficiency that should be encouraged and continued. We look forward to a state-federal partnership that ensures a competitive market to deliver real choice, high quality and affordable health care coverage for all Marylanders. For additional information or questions, please contact Mrs. Tiffany Waddell, Maryland Director of Federal Relations at 202-624-1432 or tiffany.waddell@maryland.gov.

Sincerely,

Larry Hogan
Governor

cc: Senator Benjamin L. Cardin
Senator Chris Van Hollen
Representative Andy Harris
Representative C.A. Dutch Ruppersberger
Representative John Sarbanes
Representative Anthony G. Brown
Representative Steny Hoyer
Representative John Delaney
Representative Elijah Cummings
Representative Jamie Raskin