



MHA PERSPECTIVE ON THE STATE OF THE STATE



Patrick Carlson, MHA Vice President, Health Care Payment
American Association of Healthcare Administrative Management
Maryland Chapter Meeting
March 21, 2025



OVERVIEW

MHA Overview – Mission and Membership

State Trends

MHA Priorities for 2025

AHEAD Model

Key Legislative Topics to Watch in 2025

MHA Resources

MHA MISSION



Maryland Hospital Association

Advancing health care and the health of all Marylanders

MHA serves Maryland's hospitals and health systems through collective action to shape policies, practices, financing and performance to advance health care and the health of all Marylanders.

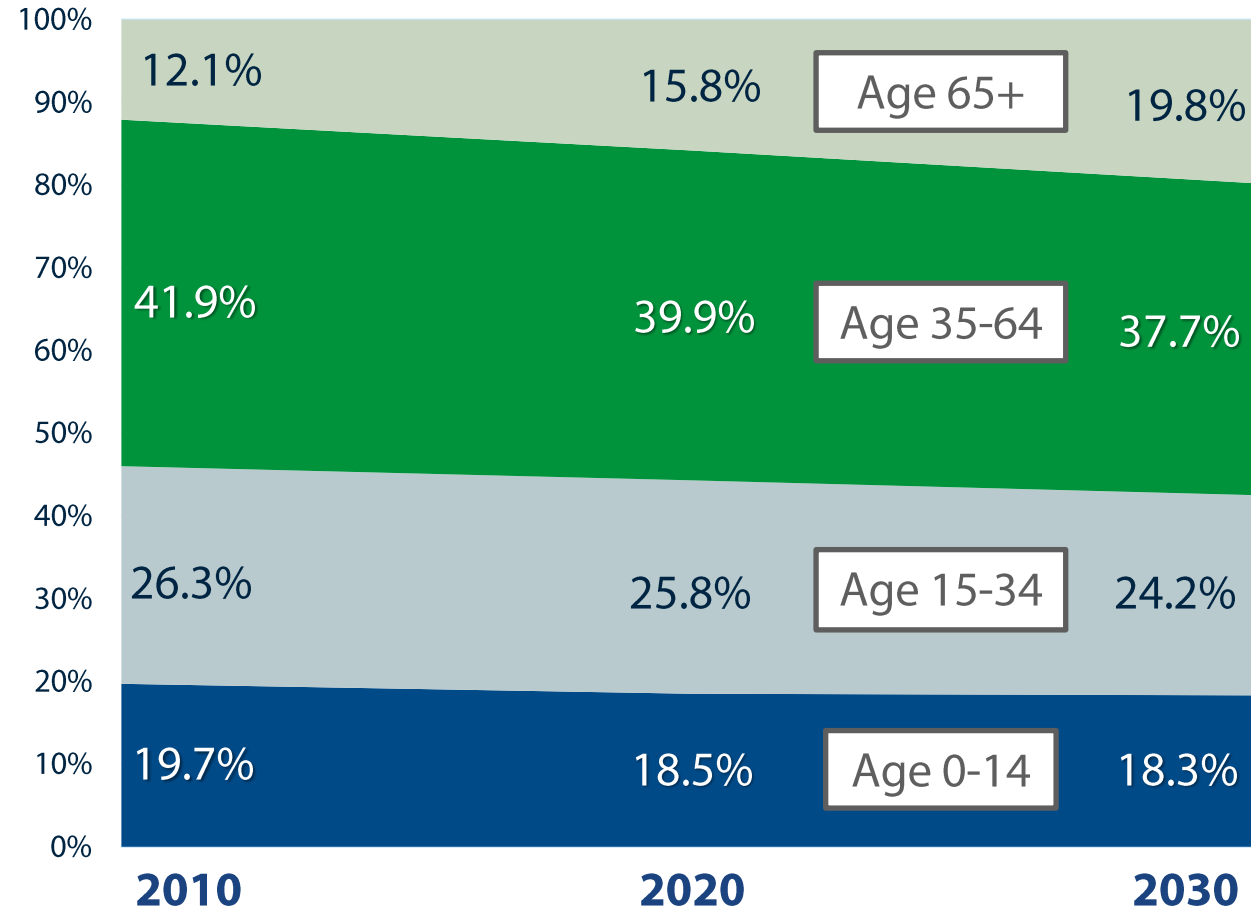


STATE TRENDS

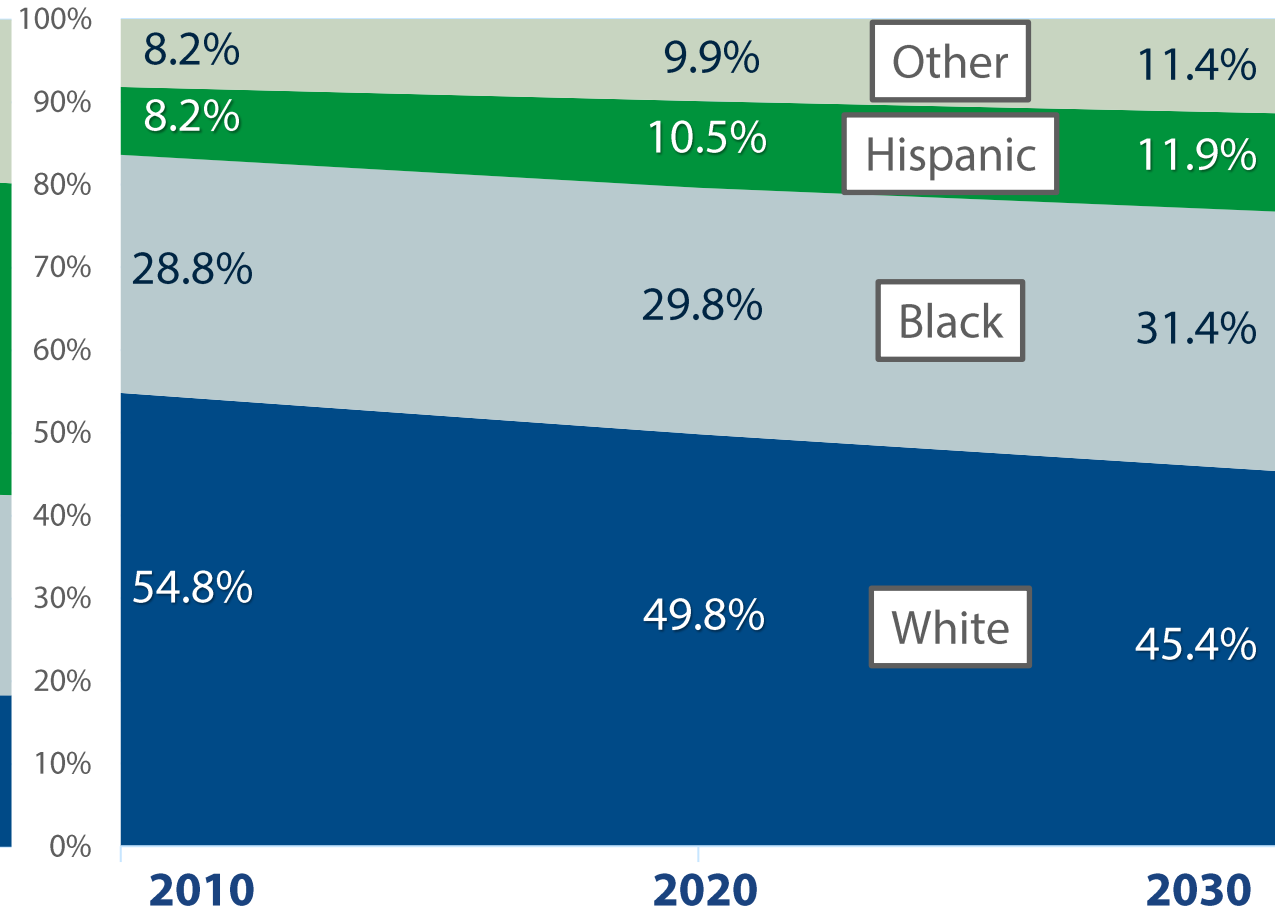


MARYLAND 2030: MORE SENIORS & DIVERSITY

Age Distribution



Racial Mix



Source: Maryland Department of Planning, Projections and State Data Center, 2017

MODEST POPULATION GROWTH, GREATEST RATES IN EXURBS

	POPULATION		10-YEAR GROWTH
	2020	2030	
MARYLAND	6,141,900	6,518,750	6.1%
BALTIMORE REGION	<u>2,800,350</u>	<u>2,897,800</u>	<u>3.5%</u>
Anne Arundel County	573,250	596,700	4.1%
Baltimore County	847,000	862,200	1.8%
Carroll County	169,200	175,150	3.5%
Harford County	257,700	271,850	5.5%
Howard County	336,900	366,800	8.9%
Baltimore City	616,300	625,100	1.4%
WASHINGTON SUBURBAN	<u>2,229,000</u>	<u>2,385,350</u>	<u>7.0%</u>
Frederick County	260,800	303,600	16.4%
Montgomery County	1,052,050	1,128,800	7.3%
Prince George's County	916,150	952,950	4.0%
WESTERN MARYLAND	<u>261,250</u>	<u>282,300</u>	<u>8.1%</u>
Allegany County	74,150	75,650	2.0%
Garrett County	30,300	31,250	3.1%
Washington County	156,800	175,400	11.9%

	POPULATION		10-YEAR GROWTH
	2020	2030	
SOUTHERN MARYLAND	<u>381,800</u>	<u>434,600</u>	<u>13.8%</u>
Calvert County	94,600	99,200	4.9%
Charles County	167,050	194,650	16.5%
St. Mary's County	120,150	140,750	17.1%
UPPER EASTERN SHORE	<u>249,150</u>	<u>276,750</u>	<u>11.1%</u>
Caroline County	34,050	38,450	12.9%
Cecil County	104,600	119,550	14.3%
Kent County	20,900	22,100	5.7%
Queen Anne's County	50,750	55,750	9.9%
Talbot County	38,850	40,900	5.3%
LOWER EASTERN SHORE	<u>220,350</u>	<u>241,950</u>	<u>9.8%</u>
Dorchester County	34,300	37,350	8.9%
Somerset County	26,750	28,450	6.4%
Wicomico County	106,200	118,200	11.3%
Worcester County	53,100	57,950	9.1%

MARYLAND'S HEALTH RANKINGS

#7
Health
Care

- #7 Access
- #12 Quality
- #8 Public health

#10
Health
of Seniors

- #8 Dedicated provider
- #5 Falls
- #10 Obesity
- #32 Preventable hospitalizations

#14
Mental
Health

- #6 Adult prevalence of mental illness
- #17 Adults with substance use disorder in the past year

#11
Health
Overall

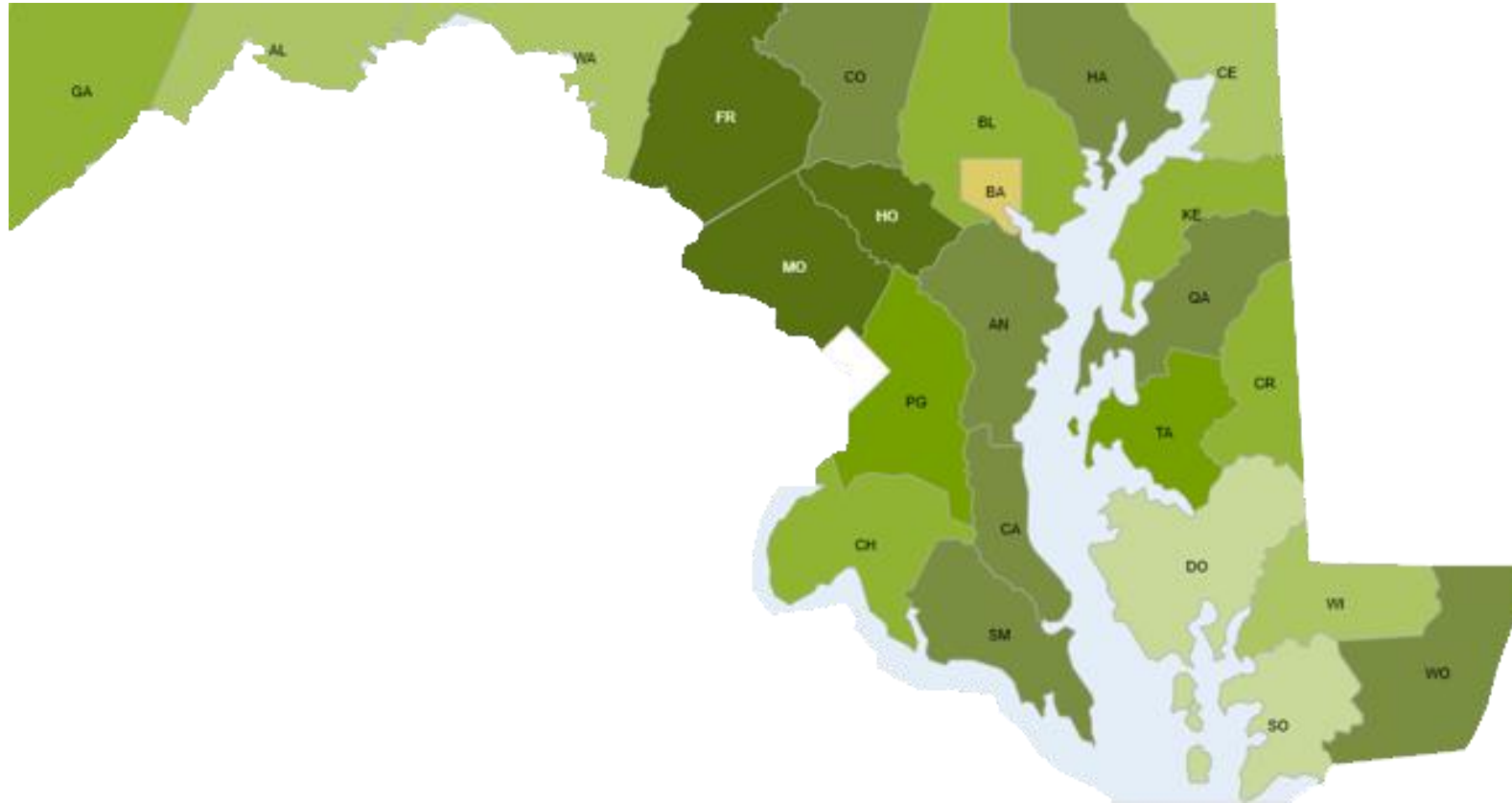
- #26 Primary care providers
- #2 Smoking
- #19 Obesity
- #32 Low birthweight
- #41 Homicide deaths

U.S. News & World Report, Health Care Rankings 2024 <https://www.usnews.com/news/best-states/rankings/health-care>
America's Health Rankings 2024 Senior Report <https://www.americashealthrankings.org/learn/reports/2024-senior-report>

The State of Mental Health in America, 2024, Mental Health America <https://mhanational.org/sites/default/files/2024-State-of-Mental-Health-in-America-Report.pdf>
America's Health Rankings 2023 Report <https://assets.americashealthrankings.org/app/uploads/allstatesummaries-ahr23.pdf>



DIFFERENCES IN HEALTH OUTCOMES



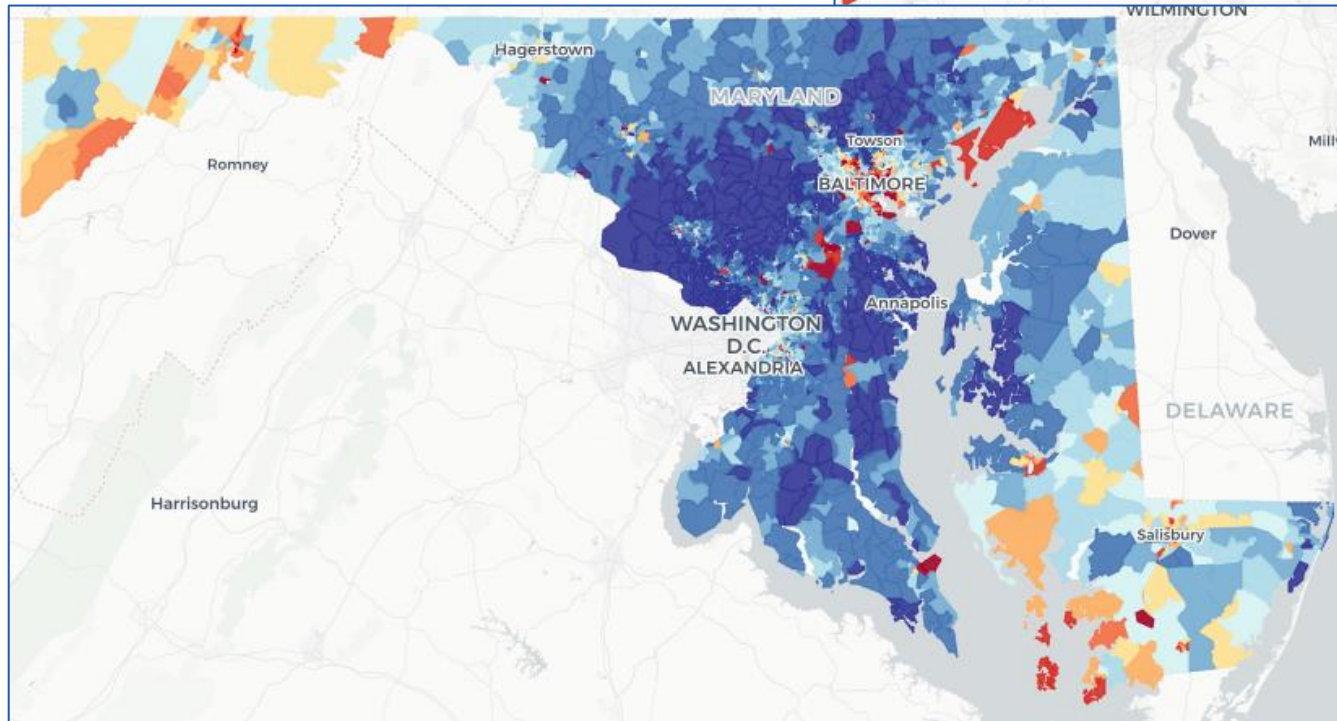
HEALTH OUTCOMES GROUP



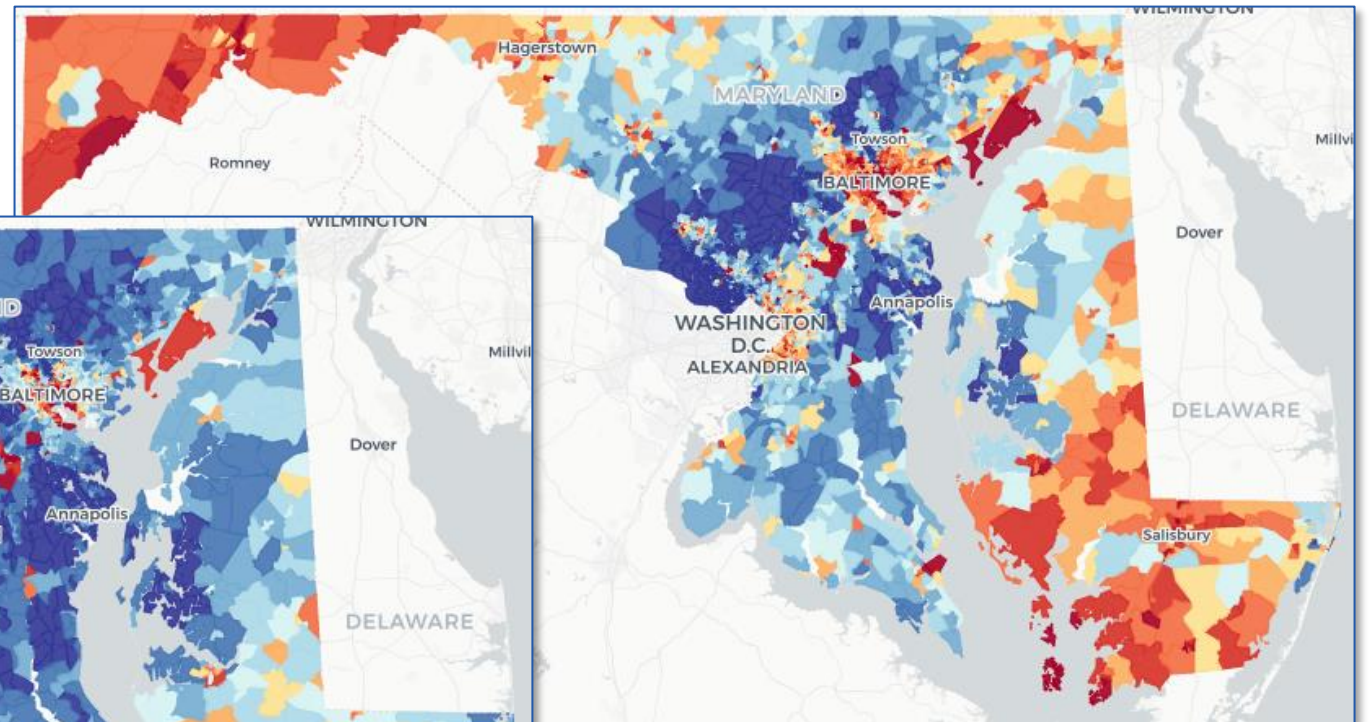
DIFFERENCES IN WELFARE

Area Deprivation Index blends such factors as income, employment, housing, and education at neighborhood level

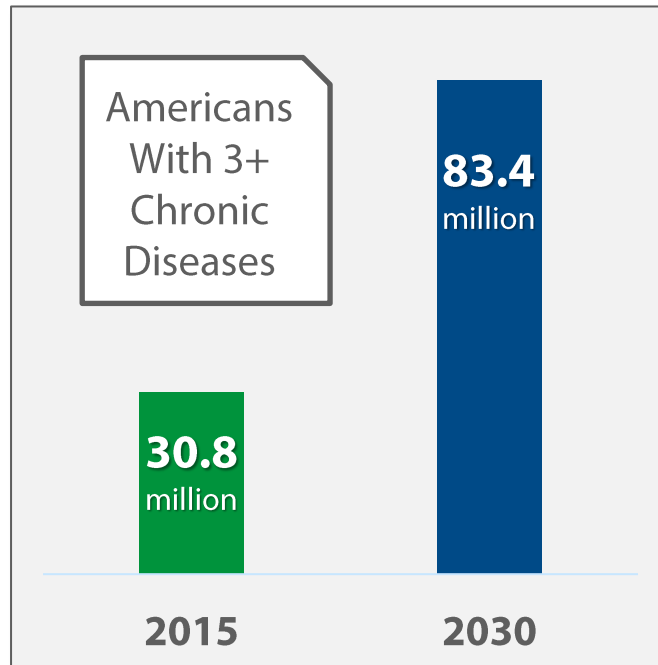
MARYLAND RELATIVE TO U.S.



WITHIN MARYLAND



CHRONIC DISEASE BURDEN RISING



Heart disease costs expected to **triple** by 2030, to **\$818 billion**, or **17%** of U.S. health spending

SPOTLIGHT: FUTURE OF DIABETES IN MARYLAND

	Total Pop. 2020	Total Pop. 2030	65+ Pop. 2030
Prediabetes	28.9%	29.8%	51.0%
Diagnosed with Diabetes	9.7%	11.6%	18.9%
Undiagnosed with Diabetes	3.4%	3.7%	7.0%
Total with Diabetes	13.1%	15.3%	25.9%

"Maryland is projected to spend \$11.1 billion by 2025 on diabetes-associated health care, including costs related to prediabetes and undiagnosed diabetes. Nearly 50 percent of these costs are projected to come from the senior population."

HOSPITAL EMPLOYEE VACANCIES – Q3 2024

Top 10 Hospital Occupations by Vacancy Rate as of 09/30/2024	
Licensed Practical Nurses	27.9%
Surgical Technicians	21.8%
Nursing Assistive Personnel	17.0%
Radiology Technicians	17.0%
Nurse Practitioners	16.1%
Registered Nurses	14.8%
Sterile Processing Technicians	14.8%
Respiratory Therapist	14.6%
Dietitians and Nutritionists	14.5%
Overall Total Vacancy	13.1%
Food Preparation Workers	11.5%

WHAT ARE HOSPITAL LEADERS SAYING?

STRENGTHS

- Commitment to communities and patients
- THE PEOPLE
- Caring for community needs beyond hospital walls

CHALLENGES

- Workforce recruitment/ retention
 - Particularly doctors and nurses
- Workplace violence
- Financial strain

MHA PRIORITIES FOR 2025



MHA PRIORITIES

**Policies to Support
the Financial
Health of Hospitals
and Access to Care**

**Payer Denials and
Accountability**

**Rising Costs for
Essential Physician
Coverage**

POLICIES TO SUPPORT THE FINANCIAL HEALTH OF HOSPITALS & ACCESS TO CARE



PRIORITY: SUPPORT FINANCIAL HEALTH OF HOSPITALS & ACCESS TO CARE

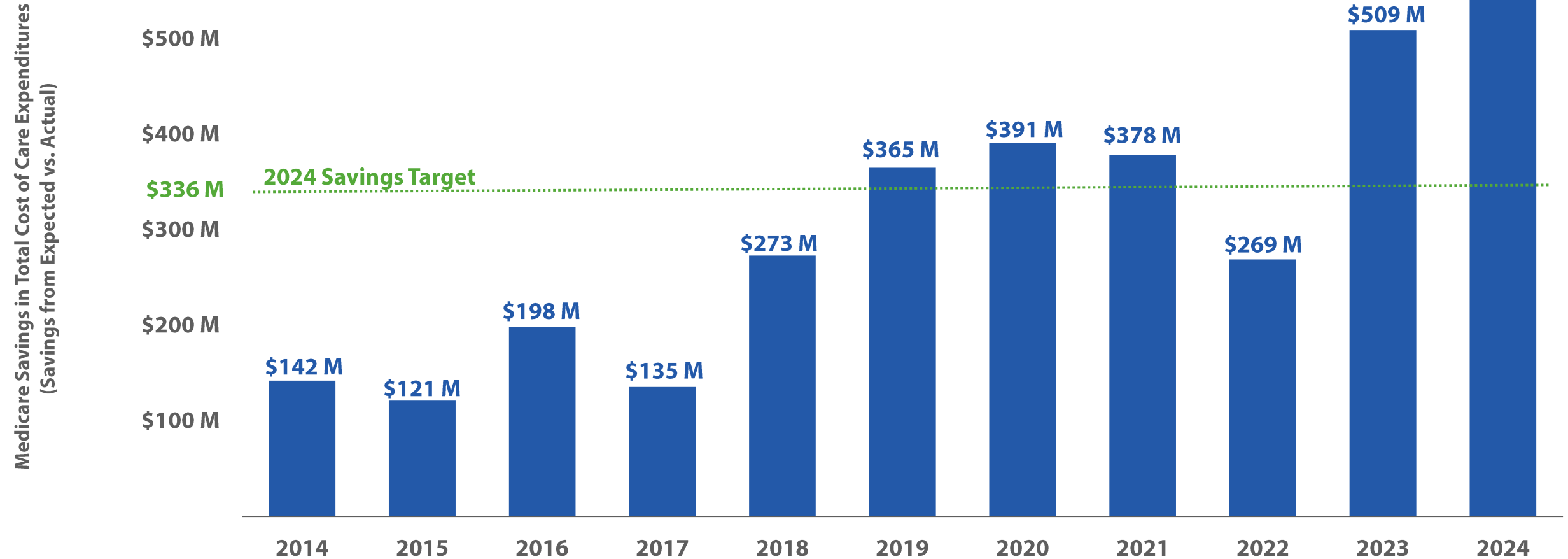
Hospitals have experienced unfavorable financial performance under the Model in years in which hospitals have generated excess savings

Model must achieve a balance of hospital sustainability and health access with cost savings for payers and affordability for patients

Policies must enable hospitals to meet baseline patient needs, invest in care transformation and population health, and make needed capital investments

STRONG SAVINGS PERFORMANCE FOR CY 2024

Medicare Savings in Maryland Total Cost of Care Expenditures
CY 2014 – CYTD 2024



Savings = Maryland trended at national growth rate *minus* Maryland actual

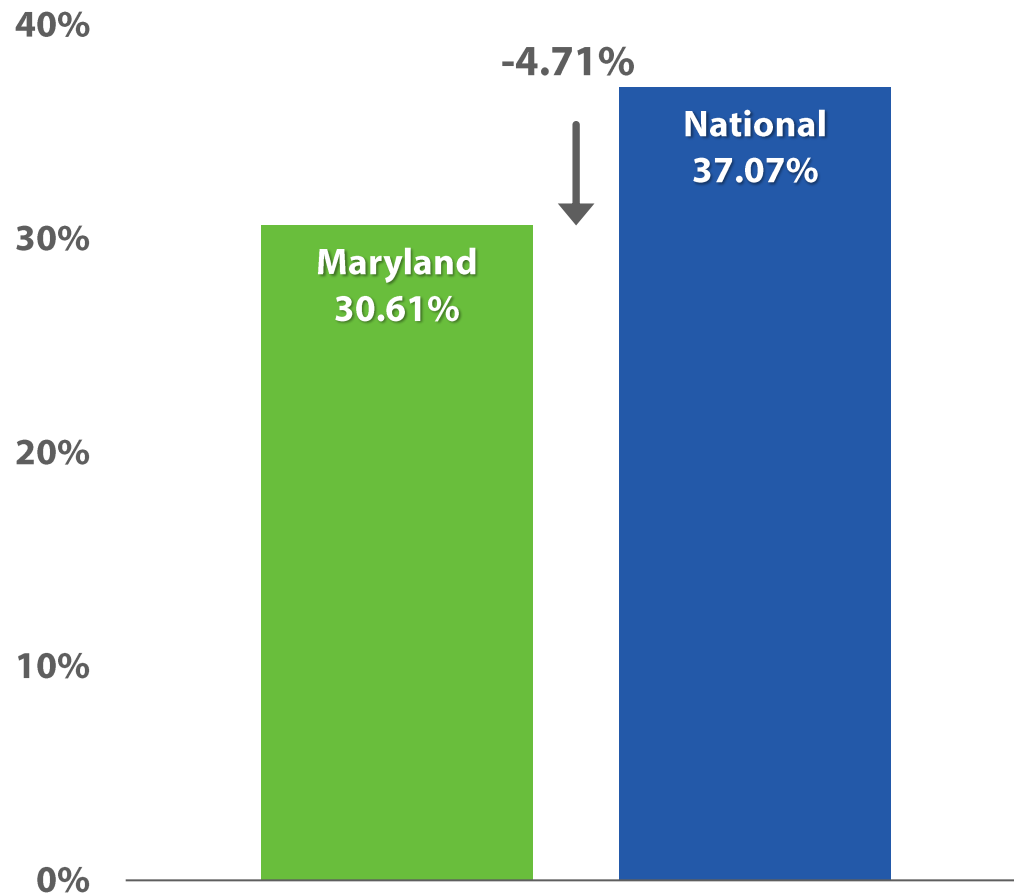
Source: CMS/CMMI Monitoring Data

Note (1): Data contain summaries prepared by HSCRC and CMS/CMMI; data are preliminary and contain lags in claims where there may be material differences in results when final data are received. Savings calculations include addition of Part B non-claims based payments for MDPCP/CPC+ and Part C MA Growth Adjustment. MSSP and other non-claims based state & national programs will be added at the end of performance period.

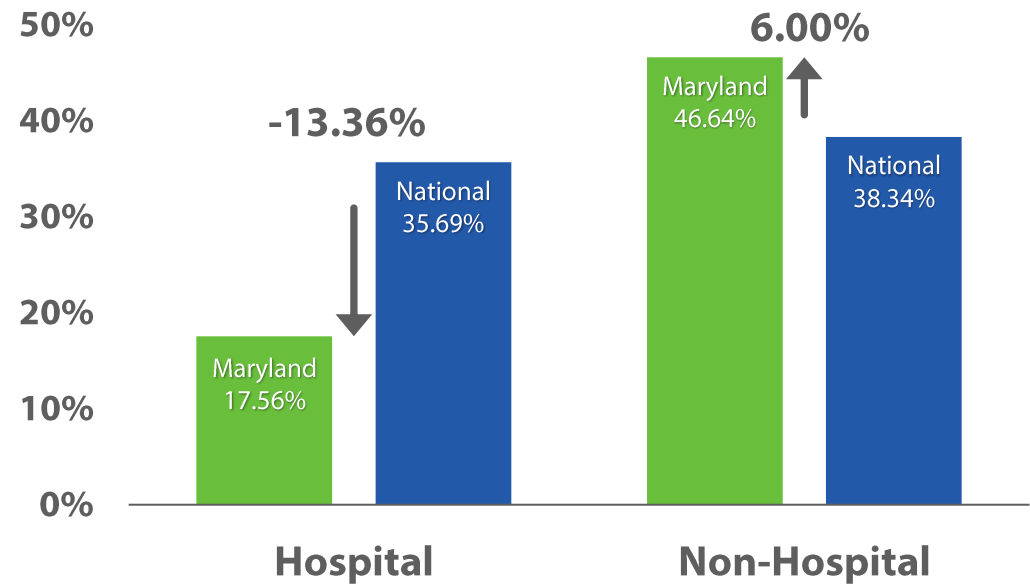


CUMULATIVE MEDICARE GROWTH LOWER THAN NATION

Medicare Total Cost of Care
Cumulative Growth – CY 2014 – CYTD 2024



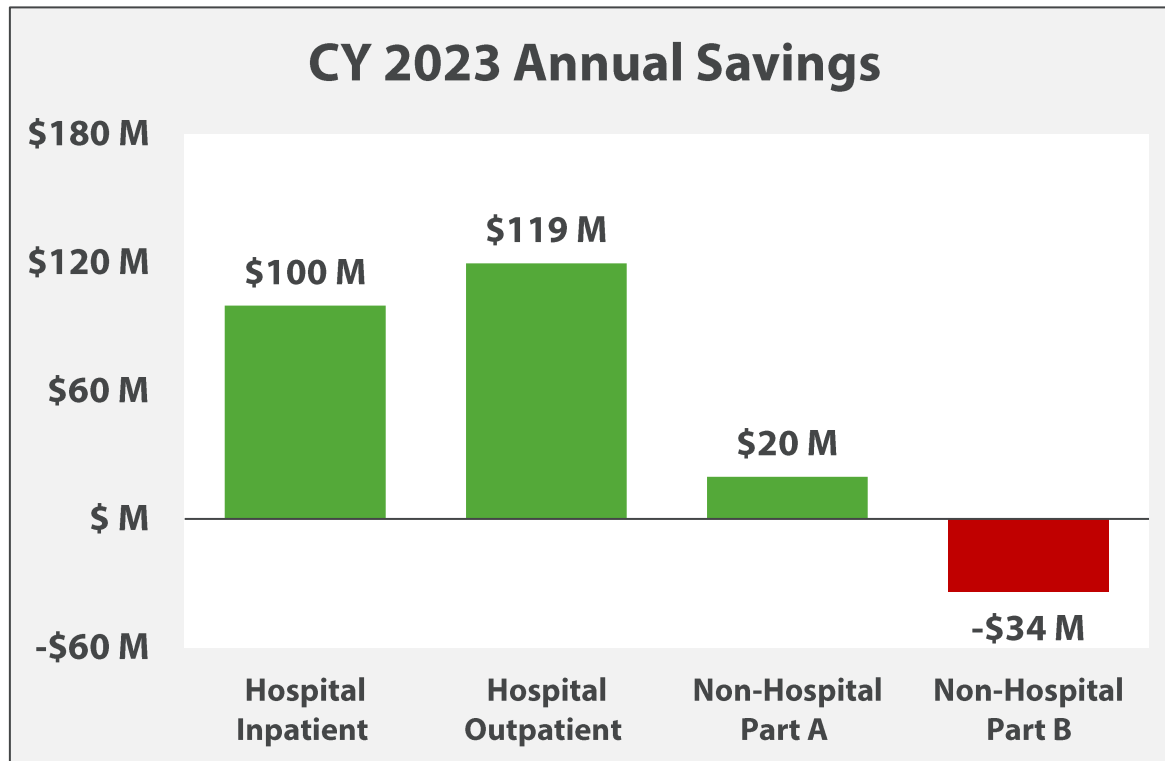
Hospital vs. Non-Hospital Growth
Cumulative Growth – CY 2014 – CYTD 2024



RECENT DRIVERS OF MODEL SAVINGS

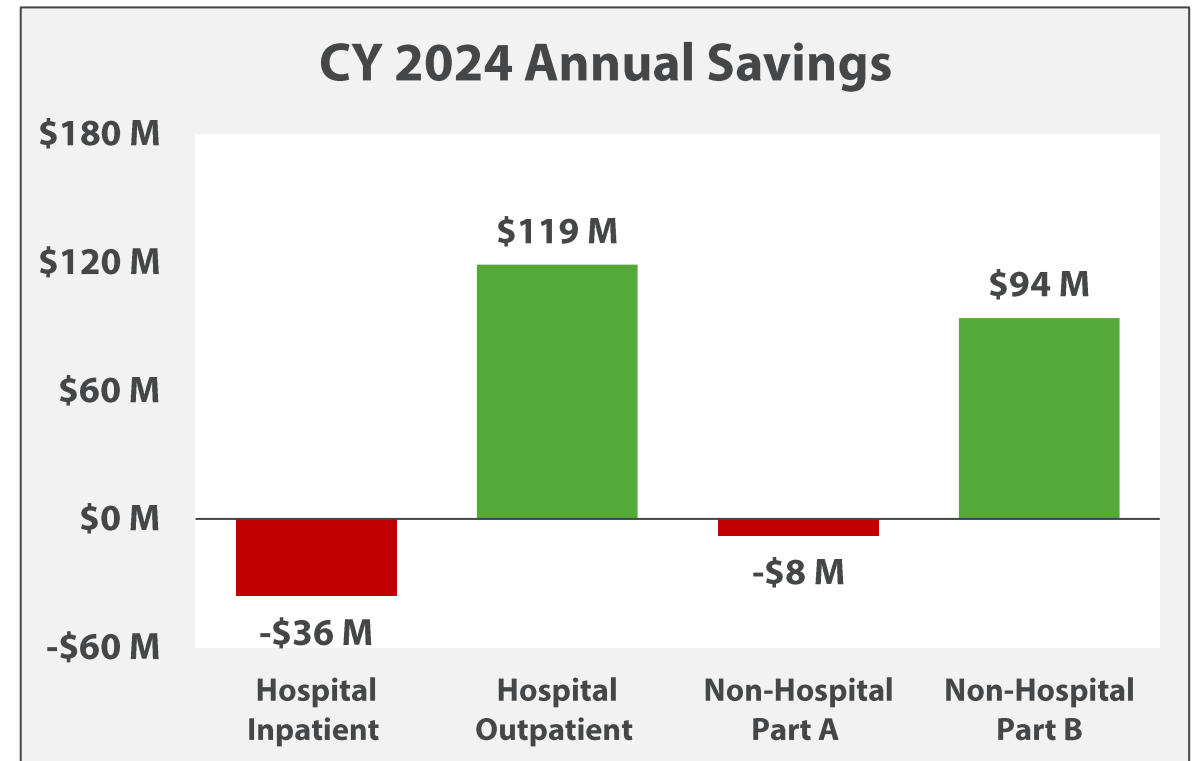
CY 2023 Annual Savings

- **Total Hospital Savings - \$219m**
- **Total Non-Hospital Savings - (\$14m)**



CY 2024 Annual Savings

- **Total Hospital Savings - \$83m**
- **Total Non-Hospital Savings - \$86m**

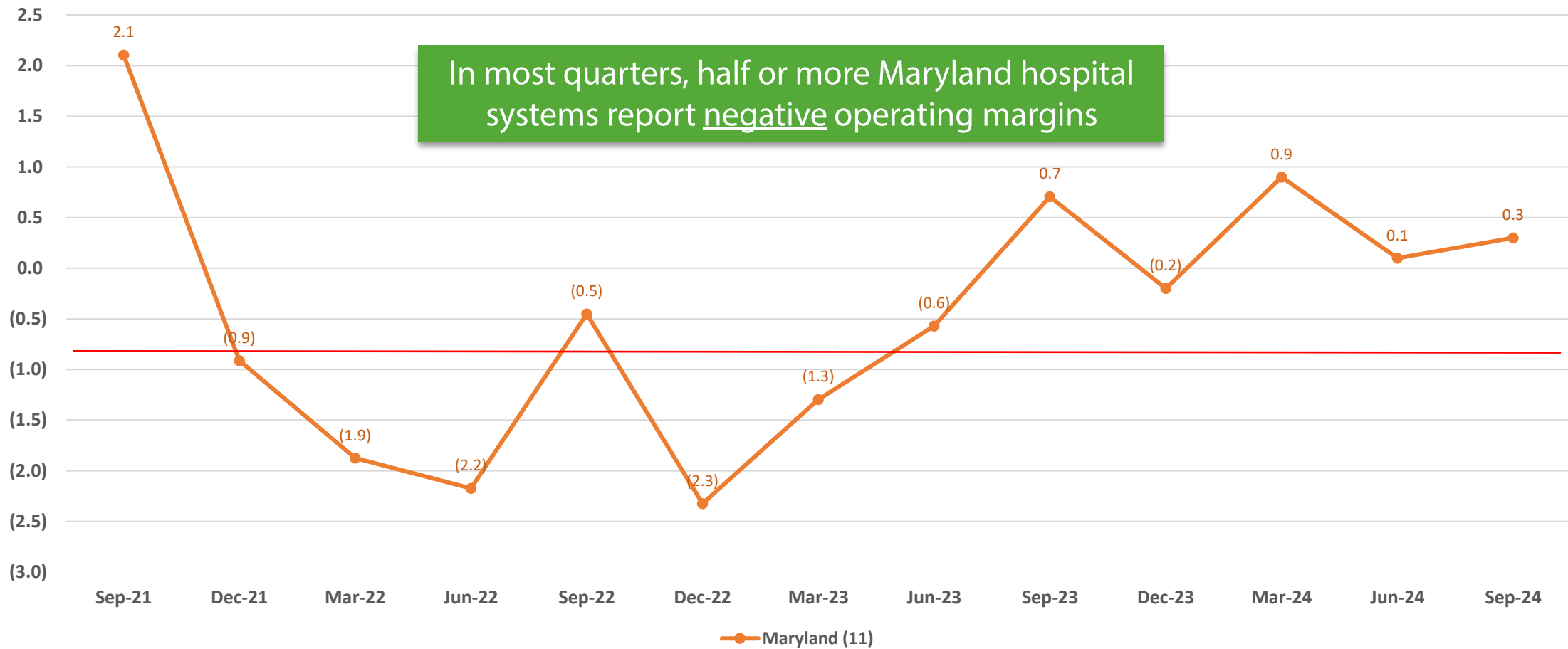


Note: CY2024 savings are through November 2024



OPERATING MARGINS (%) UNDER PRESSURE

POSITIVE MARGIN INDICATES THE ABILITY TO COVER EXPENSES WITH ONGOING REVENUE



BAML Sample = Bank of America Merrill Lynch study of about 152 non-profit healthcare system's quarterly financial statements.



MARYLAND HOSPITALS EXPERIENCING CAPITAL ADEQUACY & CASH RESERVE CHALLENGES

Capital Adequacy

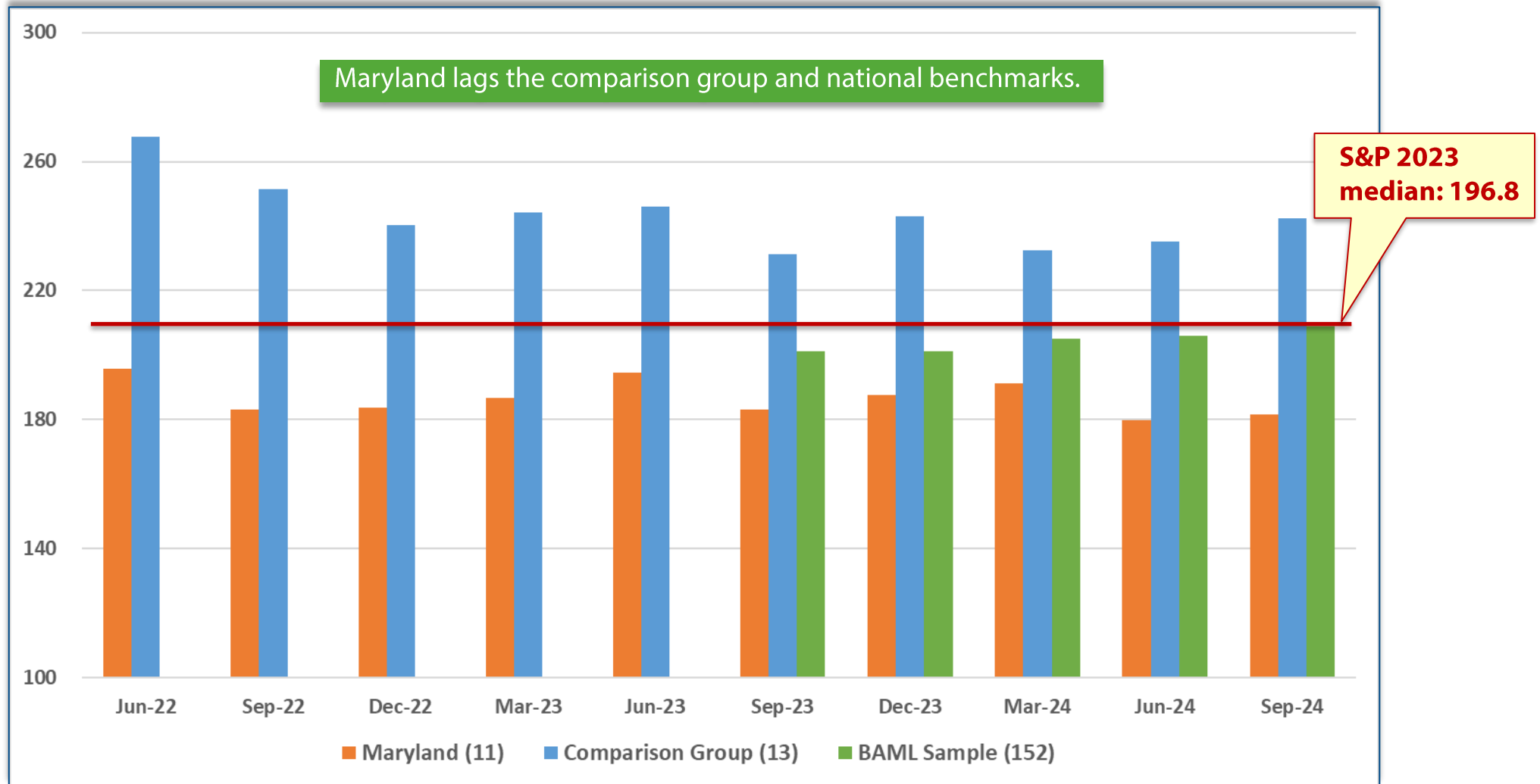
- Maryland hospitals lag on measures of capital adequacy
- In 2024, the average age of plant in Maryland was 13.2 years vs. 12.5 years nationally

Cash Reserves

- Maryland hospitals are below national benchmarks when comparing cash reserves to debt
- Drawing down cash reserves to cover operating losses may result in ratings downgrades, lower investment income potential, and loss of access to capital at a time when capital needs are growing

MARYLAND VS. NATIONAL DAYS CASH ON HAND

CASH ON HAND PROVIDES A CUSHION OF STABILITY DURING STRESSFUL PERIODS

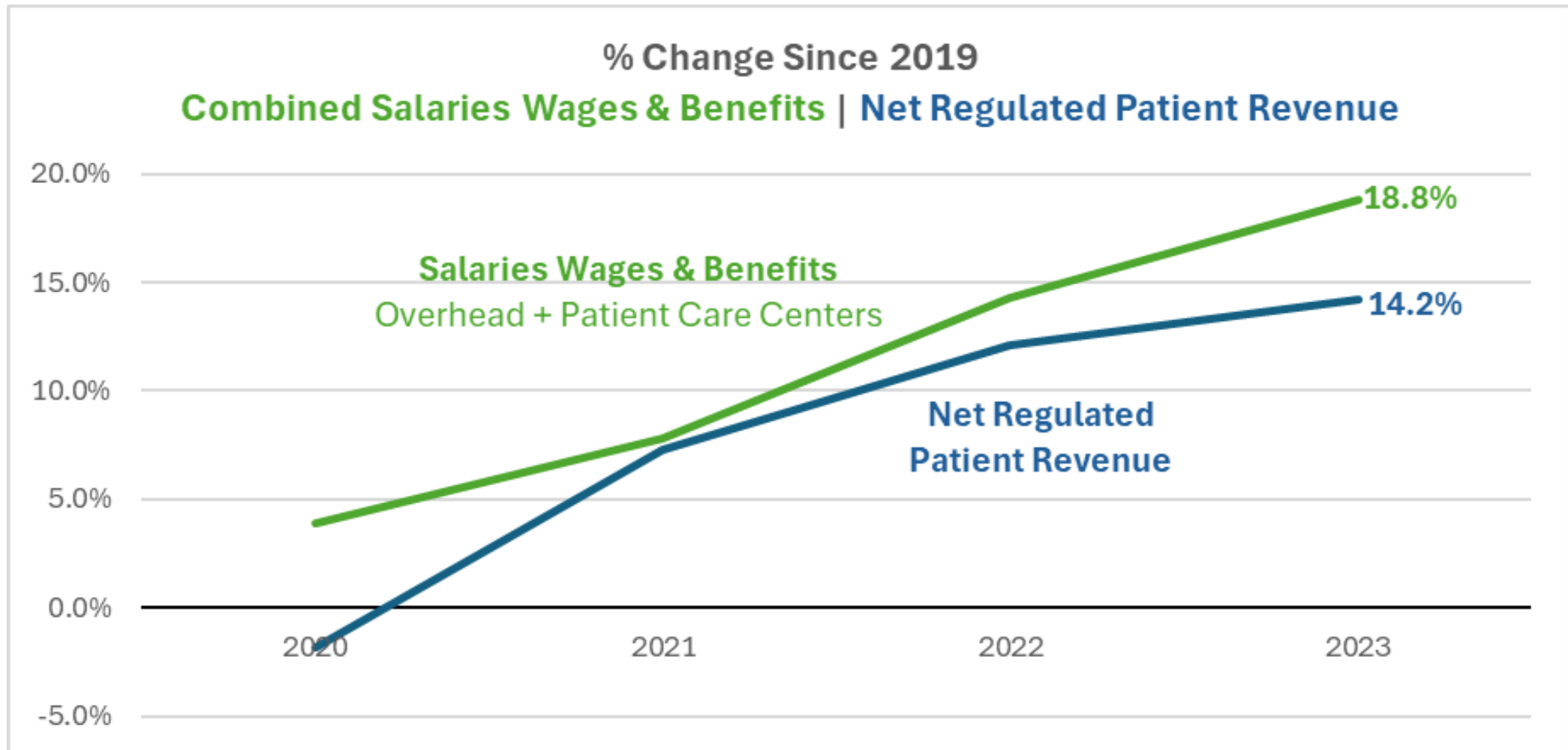


Repayment of Medicare advances creates some noise in days' cash. Generally, advances were repaid fully by the end of 2022.

BAML Sample = Bank of America Merrill Lynch sample of 152 non-profit healthcare system's quarterly financial statements.

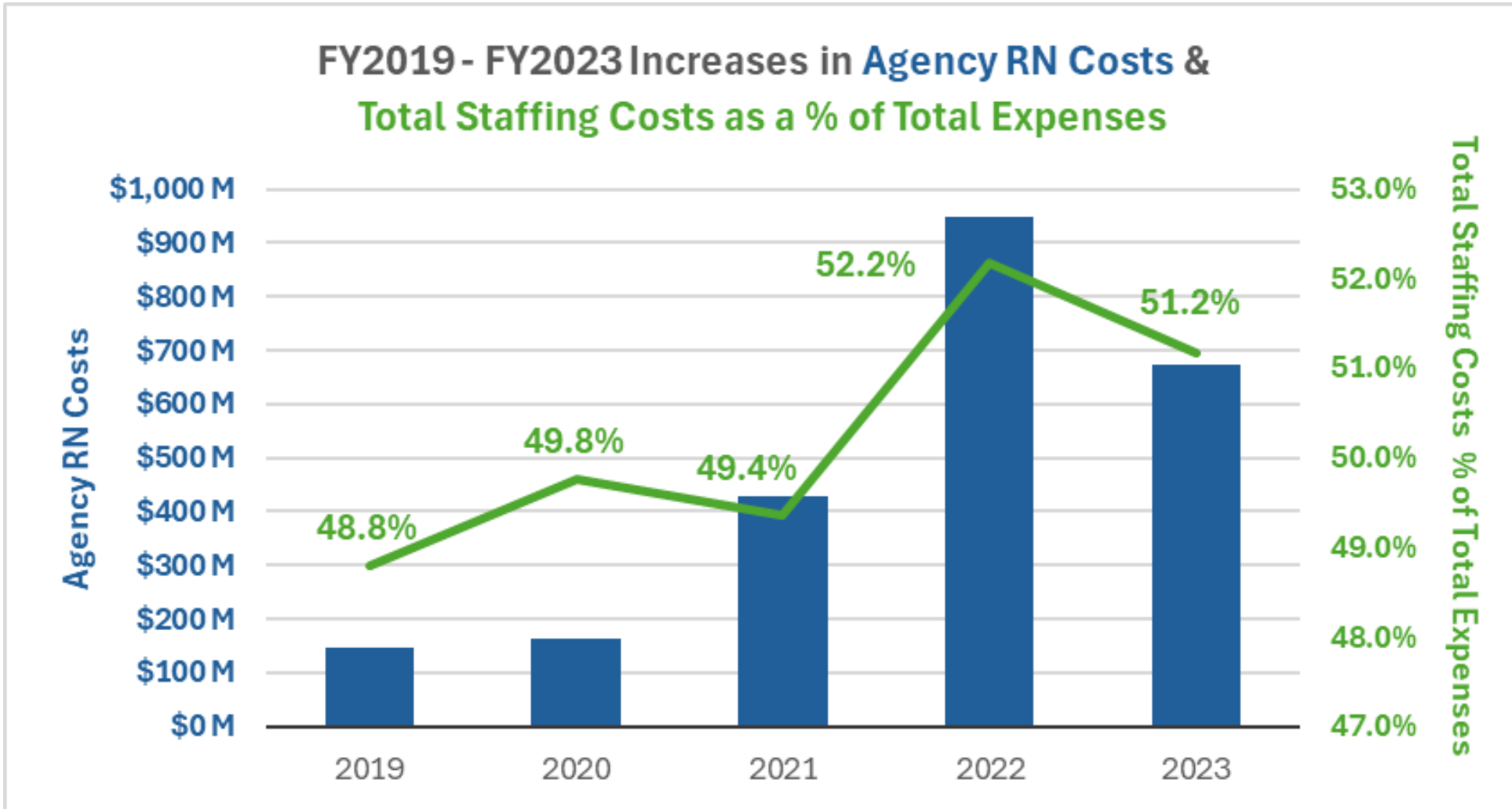


HOSPITALS' LABOR COST PRESSURES



*FY2024 contained partial year data, annualized

HOSPITALS' LABOR COST PRESSURES



*FY2024 contained partial year data, annualized



PAYER DENIALS & ACCOUNTABILITY



THE CHALLENGE OF PAYER DENIALS

Denials on the Rise

- Payer denials have grown substantially since 2013
- Growth in denials accelerated in recent years
- Denied cases increased steeply in the emergency department and outpatient settings
- AI is contributing to increased denials

Harmful Impact to Patients & Providers

- Denials can cause delays for patients receiving necessary care
- Higher out-of-pocket costs resulting from claim denials can cause patients to defer receiving care
- Denied and delayed payment of claims is contributing to financial pressures on hospitals and operational uncertainty
- Valuable staff and clinical resources were diverted to fight inappropriate claim denials

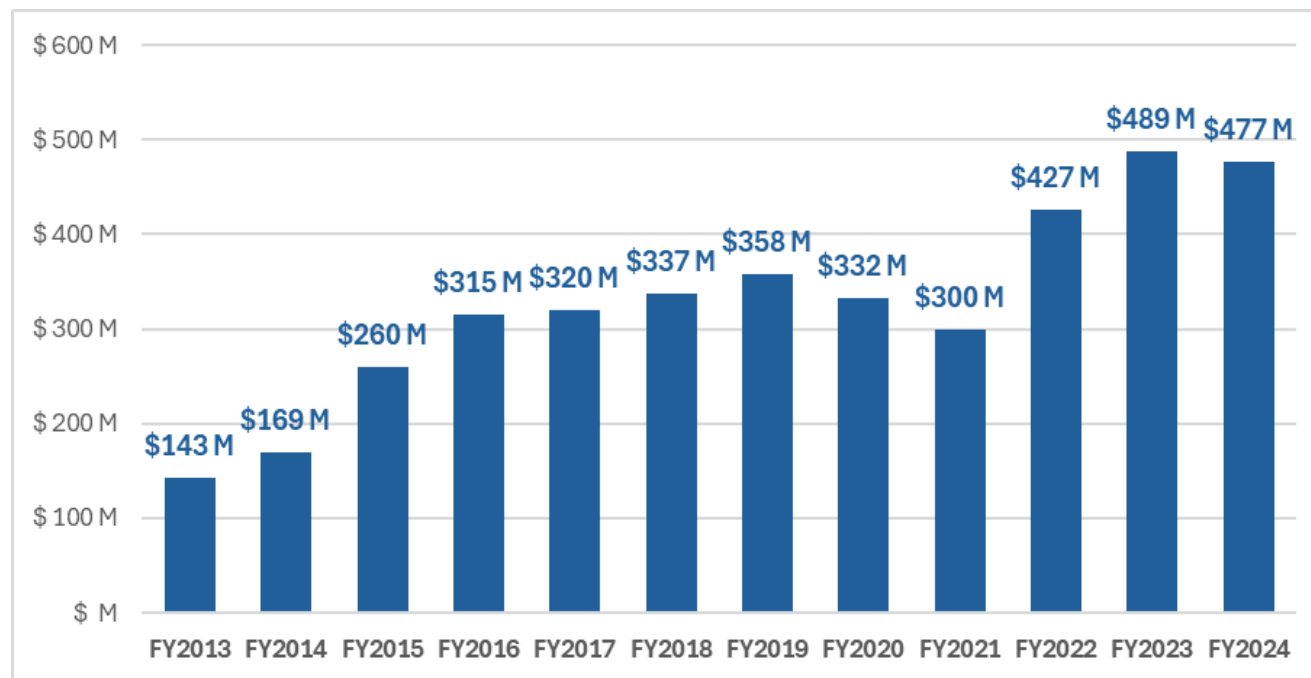
The Need for More Payer Accountability

- Maryland needs a system for reviewing payer denials that refines data disclosures and ensures data integrity, enhances payer denial transparency, and reduces denial rates while examining factors that contribute to excessive denial rates, such as the use of AI in claims review and prior-authorization requirements

TOTAL DENIALS DOLLARS ARE SHARPLY INCREASING

- Maryland's total denials dollars **more than tripled** since 2013
- The last three years have seen over **\$1.39B** in denials

Denials | FY2013 to FY2024



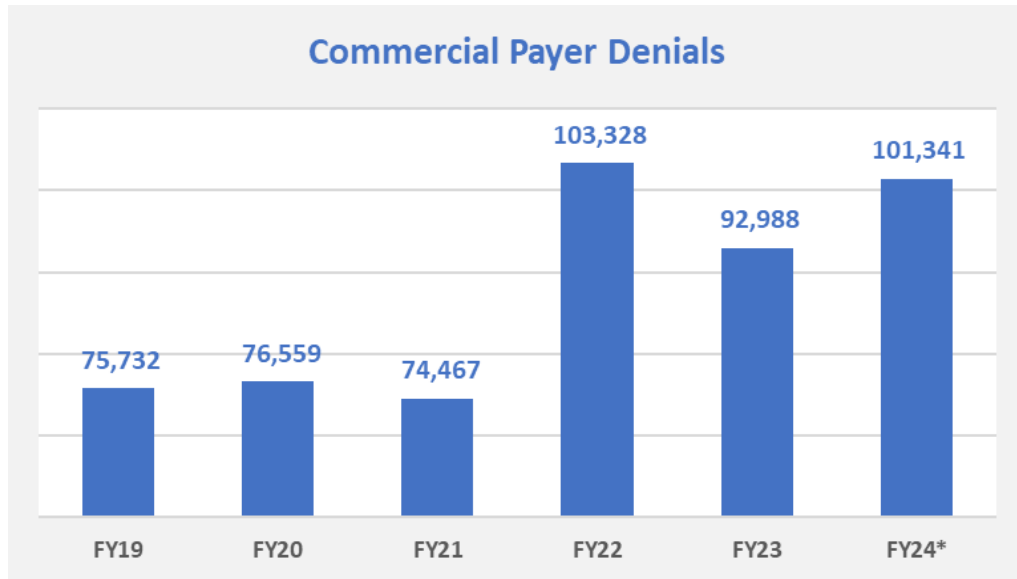
¹ HSCRC Annual Filing Data

² HSCRC Denials Report

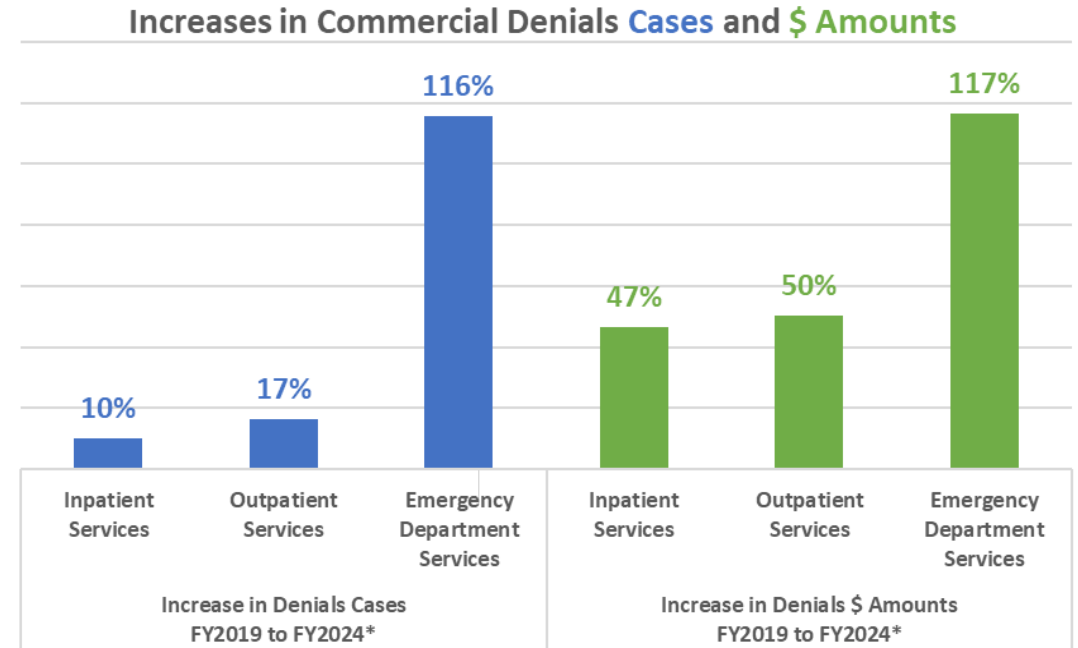


DENIALS ARE INCREASING, ESPECIALLY BY COMMERCIAL PAYERS AND IN THE EMERGENCY DEPARTMENT

Denials are increasing most by Commercial payers...



... and in the Emergency Department



*FY2024 contained partial year data, annualized



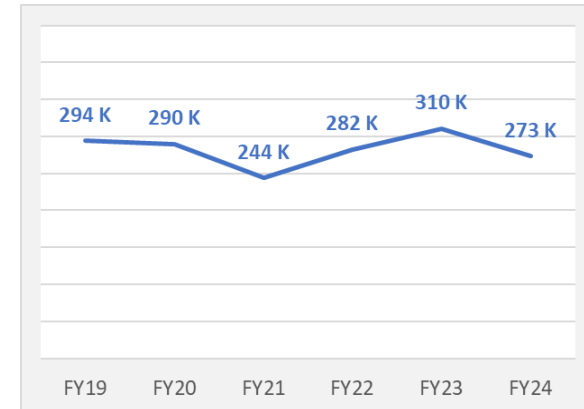
DENIALS: KEY OBSERVATIONS

- 13.2% of inpatient cases were denied in FY 2024 – this is the highest level in six years
- Over six years (FY 2019 to FY 2024):
 - Denied cases as a percentage of total outpatient services increased by 1.2%
 - Commercial payers were responsible for the largest percentage increase in outpatient denials at 4%
 - For commercial payers, denied cases for emergency department services increased by 9.1%

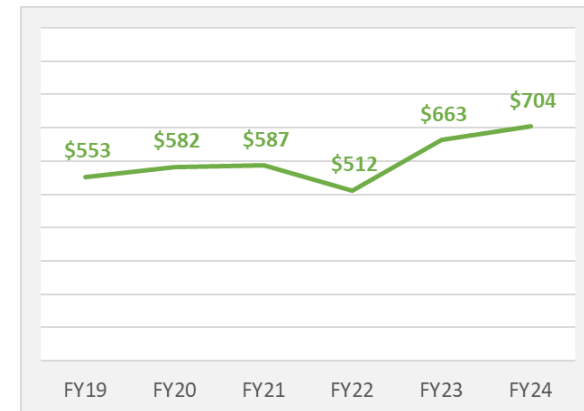
DENIAL CASES: KEY OBSERVATIONS (CONT.)

- Though the number of Medicaid MCO denials **has remained relatively flat** over the last 6 years, **there are more denials from Medicaid MCOs** than from any other payer group
- Over that time, average dollars per Medicaid MCO denial **increased 27%**

Medicaid MCO Denials



Medicaid MCO Avg. \$ per Denial



DENIALS TRENDS FOR MEDICAL NECESSITY

Change in # of Medical Necessity Denials

FY 2019 to FY 2024

Medicare Advantage	232.5%
Commercial	79.1%
Medicaid MCO	-5.7%
Medicaid FFS	-7.1%
Medicare FFS	-31.6%

FOCUS AREA: DATA & NEW POLICY LEVERS

Current Source for Denials Data: HSCRC's Denials Database

What is included?

Payer & Plan	✓
High-Level Denial Reason	✓
Patient Category (IP, OP, ED)	✓
Denied Cases	✓
Denied Dollar Amount	✓
Patient Detail (demographics, etc.)	✗
Appeals/Reversals	✗
Breakout of ERISA Plans	✗

What is needed?

- **Information to implement substantive reform**
- **More robust transparency & policy levers to address wrongful denials**
- **Collection and review of information on denials, including detailed reasons for denials, reversals, and carrier/plan administrator trends**

RISING COSTS FOR ESSENTIAL PHYSICIAN COVERAGE

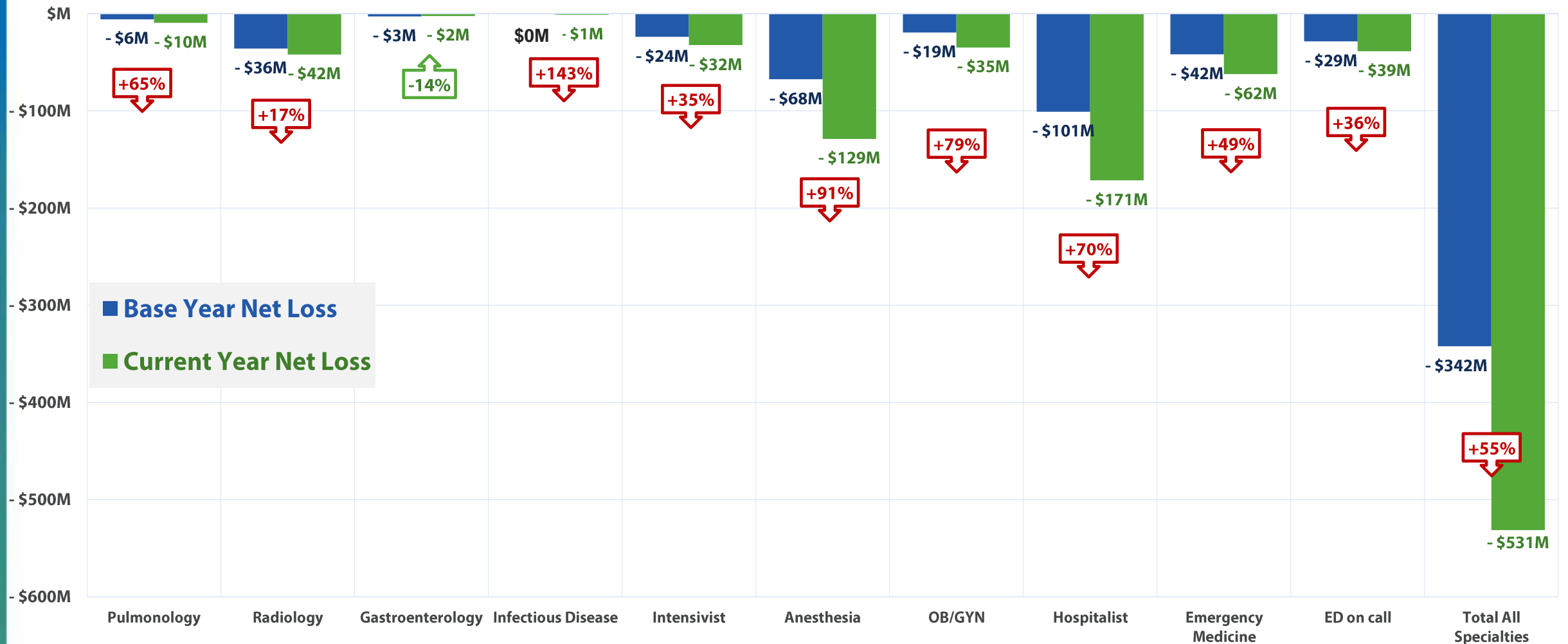


PRIORITY: ADDRESS RISING COSTS FOR ESSENTIAL PHYSICIAN COVERAGE

- Hospitals have seen an increase in financial losses incurred due to costs to employ or contract with physicians
- Hospitals require sufficient medical staff to provide essential care to patients
- Low reimbursement from payers and an increase in private equity acquisitions of physician practices are driving up contractual costs

HOSPITAL NET LOSSES¹

Base Year vs. Current Year, Per Specialty



1: Inflation Adjusted based on multipliers from the HSCRC Inflation Scorecard.

AHEAD MODEL



AHEAD: NEW STATEWIDE ACCOUNTABILITY TARGETS

The State is accountable for performance on **financial targets**

*Similar to the TCOC Model, CMS may consider **exogenous factors** when determining if the state meets the targets*

Medicare FFS TCOC Target

All Payer TCOC Growth Target

Medicare FFS Primary Care Investment Target

All-Payer Primary Care Investment Target

Statewide Quality and Equity Targets

Statewide Population Health Targets

All-Payer Revenue Limit*

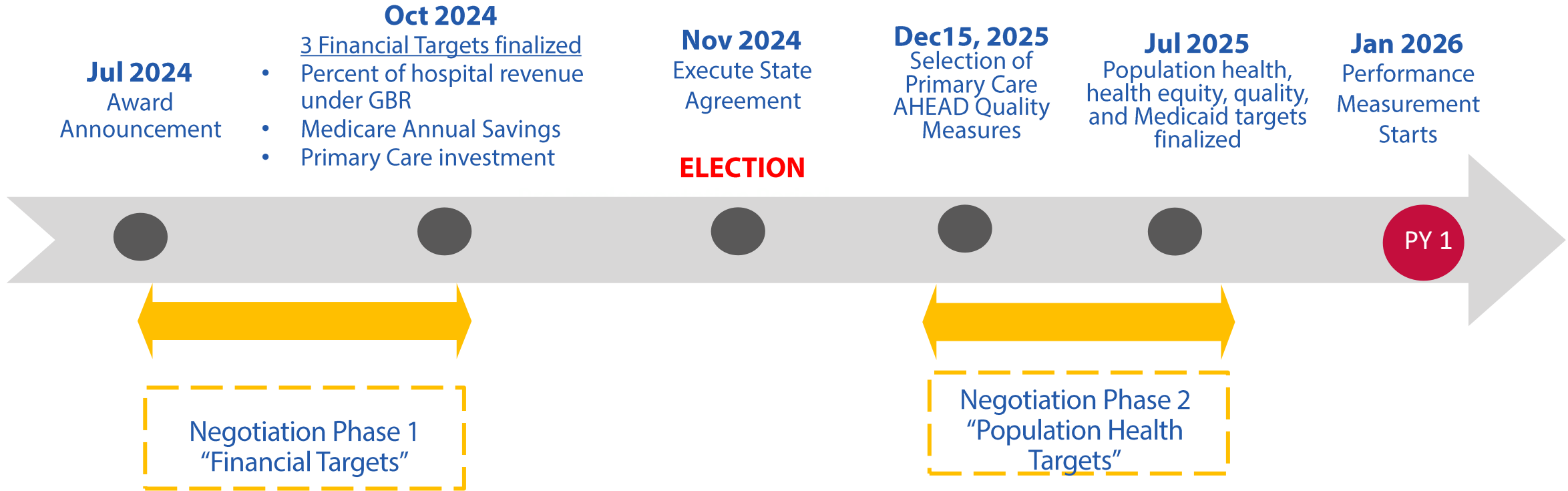
Targets existed under TCOC



Targets existed under TCOC

* Not specified in enforcement provisions

AHEAD MODEL TIMING



AHEAD MODEL: HOSPITAL FEEDBACK

1. Additional transparency needs
2. Increased oversight by CMS
3. Risk for hospitals when rewards are outside of hospitals
4. Governance and engagement questions
5. Resource constraints
6. New targets and measurement and reporting complexity
7. Medicare TCOC savings

CMMI STATEMENT ON TCOC MODEL

- The Center for Medicare and Medicaid Innovation (CMMI) released a statement indicating discontinuation of TCOC Model at end of 2025.
- HSCRC leadership view:
 - Statement memorializes the expectation that the TCOC Model would end to transition to the AHEAD Model in 2026
 - Changes to the AHEAD Model are anticipated but details are TBD

KEY LEGISLATIVE TOPICS IN 2025



PRIORITY LEGISLATIVE ISSUES



Addressing pediatric overstays in hospitals



Addressing increased denial rates & increasing payer accountability



Improving & protecting Maryland's medical liability climate



Ensuring Marylanders continue to have access to telehealth services



Protecting the financial health of hospitals



Securing full funding for the Hospital Bond Program



Moore calls for courage as Maryland faces budget crisis, Trump 'chaos'

The first-term governor who is considered a likely presidential candidate in 2028 criticized President Donald Trump's administration for announcing a freeze on all federal grants and loans, including those coming to Maryland.

Updated February 5, 2025

'Meet the moment': Maryland Gov. Wes Moore warns in State of the State of difficult decisions ahead

Ferguson warns of "hundreds of millions" in additional budget cuts

Looming federal actions, federal workforce cuts could force a 'very sobering conversation' on the budget in coming weeks

BY: **BRYAN P. SEARS** - FEBRUARY 7, 2025 9:51 PM



Md. braces for deeper budget cuts amid GOP plans for Medicaid rollback

Story by Katie Shepherd • 1w • 4 min read

Maryland governor proposes \$2B in budget cuts amid shortfall as 2025 legislative session opens

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Updated: 6:19 PM EST Jan 8, 2025

Maryland governor's FY2026 \$67.3B budget plan hinges on spending cuts, tax changes

Governor: Under plan, taxes would be cut or unchanged for 82% of Marylanders, increased for higher earners

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Updated: 12:33 PM EST Jan 15, 2025

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Healthy Hospitals. Healthy Communities.

The Maryland Hospital Association serves hospitals and health systems through collective action to shape policies, practices, and performance, advancing health care and the health of all Marylanders.

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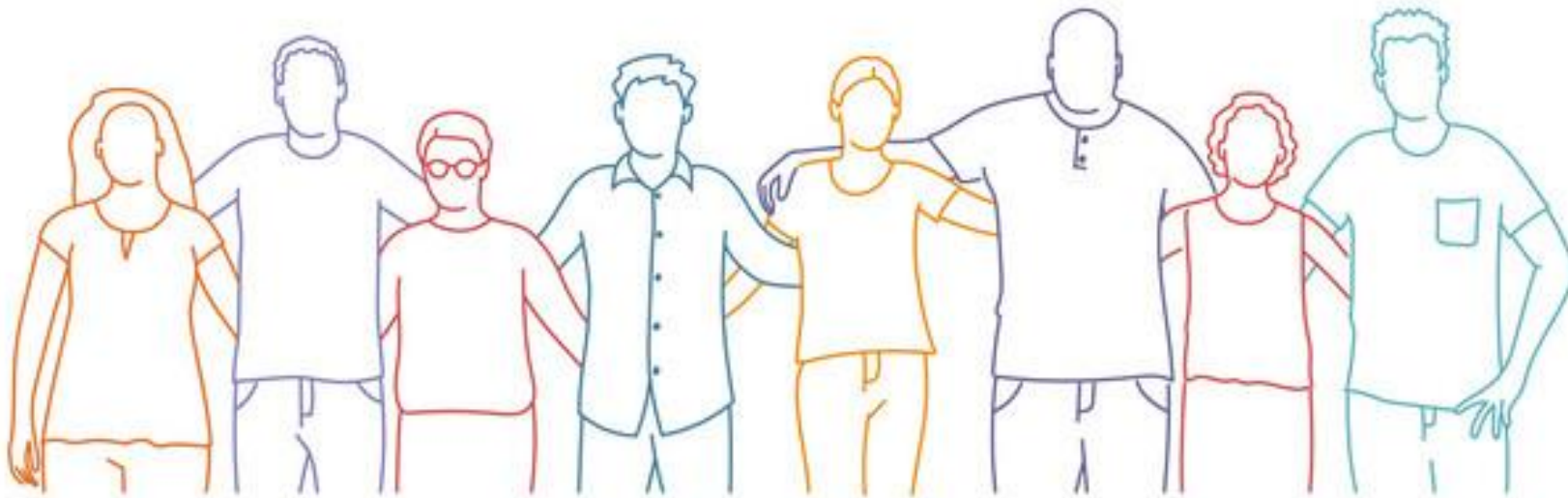


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