

# Maryland hospitals push for insurers to pay Medicare and Medicaid cost shift

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By Jay Hancock August 19, 2012

Maryland hospitals and regulators are discussing raising hospital prices for private insurers and businesses by hundreds of millions of dollars a year to make up for suggested cuts from Medicare and Medicaid.

The federal government lets the state control Medicare prices only as long as the program's cost per admission rises no faster in Maryland than in the rest of the nation.

Now that the limit is close to being reached, Maryland policymakers are talking to the HHS and hospital and insurance industry leaders about sharply cutting rates for Medicare as well as those for Medicaid, which has been straining the state's budget.

But instead of making hospitals absorb the reductions, those officials are talking about forcing commercial insurers, self-insured businesses and privately insured patients to make up the difference.

The change could come as early as next year. Even if the hospital association doesn't get everything it wants, charging private payers more would shift the burden of expense that has held constant in Maryland since the 1970s.

"The question is: Is it equitable to push more cost onto the private sector?" said Jack Keane, a consultant for CareFirst BlueCross BlueShield, Maryland's largest health insurer, who sits on Maryland's hospital rate-setting body. "And to what extent can the insurance market in Maryland, by which I mean the people who live in Maryland, afford it when they are already losing coverage at a rapid rate?"

The hospital association's proposal would generate the highest annual increases for Maryland private payers in four years — in addition to normal rate hikes granted by the Health Services Cost Review Commission.

Maryland hospitals recorded \$855 million in profits in fiscal 2011, the most recent year that results are available, a 6 percent return, according to the cost commission.

All hospitals in Maryland are nonprofit entities.

While the overall cost per hospital case is slightly lower in Maryland than in the rest of the nation, Medicare pays a fifth more per case in the state than it does elsewhere, according to the HHS.

The system's defenders say that's because Maryland's cost allocation avoids the disproportionate burden on the private sector seen in other states and more accurately reflects expenses for treating Medicare patients.

Sharfstein and John Colmers, vice president for strategic planning at Hopkins who is also chairman of the Health Services Cost Review Commission, the hospital rate panel appointed by Gov. Martin O'Malley (D), declined to comment on discussions to raise private-sector hospital prices or on other specifics of negotiations to preserve Maryland's waiver. CareFirst and HHS officials also declined to discuss the talks.

Adding to the tension is what many see as the need to sew up a plan before November's election.

“I’m not going to talk at this point about things that haven’t been settled internally,” Colmers said. “I think there is a way to get to ‘yes’ for everybody here.”

Hospitals argue that absorbing deep Medicare and Medicaid cuts without offsetting revenue from private payers would jeopardize their financial health and hinder them from implementing the overhauls mandated in the 2010 health law.

“We can’t spend the next several months inventing a new waiver system only to fail in the next year or two, and we will fail unless we can find room in the system,” Coyle said. “We can’t ask hospitals to take on a greater burden, a larger bundle of services that they’re going to be responsible for [under health-care changes] and then pay them no money.”

Joseph Antos, an economist at the American Enterprise Institute who is stepping down as a Maryland rate-setting commissioner, predicts that hospitals won’t get everything they want.

“The tradition in Maryland in my years is that you’ve got to work it out so that both sides take some of the hit,” he said. “The hospitals wouldn’t get away free from having to contribute something.”

#### — Kaiser Health News

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