

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 647

(Delegate Rudolph)

Health and Government Operations

Finance

Health Services Cost Review Commission - Report on Hospital Charges

This bill requires the Health Services Cost Review Commission (HSCRC), in consultation with the Maryland Health Care Commission (MHCC), to annually publish each acute care hospital's severity-adjusted average charge per case for the 15 most common inpatient diagnosis-related groups.

Fiscal Summary

State Effect: The annual report could be published using existing HSCRC resources. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: HSCRC is responsible for setting rates for hospitals in Maryland. Maryland is the only state with a Medicare waiver, which permits HSCRC to impose an "all-payor" system, where all payors pay the same rates to hospitals. HSCRC must ensure that Maryland's hospital rates do not increase as quickly as the national average. HSCRC does make adjustments for hospitals with high incidences of uncompensated care.

Background: Adjusting treatment costs based on severity is one method of determining whether health care is being delivered in an efficient manner. For example, two

physicians each treat a patient with DRG 127 (the diagnosis-related group code for heart failure and shock). Both patients had a principal diagnosis of congestive heart failure. One patient, who incurred charges of \$5,900, had a secondary diagnosis of bronchitis. The other patient had a secondary diagnosis of stroke and incurred charges of \$11,000.

In order to make a valid cost comparison, each patient's secondary diagnosis, complications, age, and other factors influencing resource consumption (*i.e.*, drugs, lab tests, supplies, therapies, and procedures) must be considered. This process is called "severity adjusting."

Hospitals' Top 15 Inpatient DRGs for Fiscal 2005

<u>DRG Code</u>	<u>Diagnosis</u>
391	Normal Newborns
373	Vaginal Delivery without Complicating Diagnosis
430	Psychoses
127	Heart Failure and Shock
143	Chest Pain
209	Major Joint & Limb Reattachment Procedures of the Lower Extremity
089	Simple Pneumonia and Pleurisy
390	Neonate with other Significant Problems
182	Esophagitis, Gastroenteritis, and Misc. Digestive Disorder
416	Septicemia
088	Chronic Obstructive Pulmonary Disease
371	Cesarean Section without Complications
527	Pecutaneous Cardiovascular Procedure with Drug-Eluting-Stent
370	Cesarean Section with Complications
014	Intracranial Hemorrhage and Stroke with Infarction

Additional Information

Prior Introductions: None.

Cross File: SB 380 (Senator Klausmeier) – Finance.

Information Source(s): Department of Health and Mental Hygiene (Maryland Health Care Commission, Health Services Cost Review Commission), Department of Legislative Services

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ncs/jr

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