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VIA HAND DELIVERY AND
ELECTRONIC DELIVERY

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Re: Baltimore Nursing and Rehabilitation, LLC
Docket No. 15-24-2366;
Proposal from the University of Maryland Medical System (UMMS)

Dear Kevin and Donna:

On behalf of my client, Baltimore Nursing and Rehabilitation, LLC ("BNR"), we are attaching with this document a proposal from the University of Maryland Medical System (UMMS), on behalf of its two downtown Baltimore hospitals, University of Maryland Medical Center (UMMC) and UMMC Midtown Campus (UMMC Midtown), for an arrangement with Mid-Atlantic Health Care with respect to its proposed new skilled nursing facility to be located in downtown Baltimore, Baltimore Nursing and Rehabilitation, LLC (BNR). An earlier version of an Memorandum of Understanding presented last November was not acted upon. The MHRPC deferred to the HSCRC, and review stalled. In the expectation of putting review back on track, this document is presented to both agencies to facilitate review.

The parties recognize that hospitals and post-acute providers have opposing financial incentives that frequently result in fragmented, inefficient care. Medicare pays nursing homes a per diem amount (which for the first 20 days is without charge to the patient and is subject to a relatively

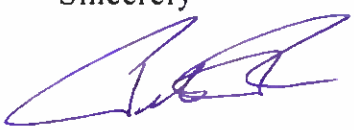
high co-insurance for days 21-100) for qualifying care (the majority of which is rehabilitation care or intravenous injections but includes other services) provided to patients who are admitted to the SNF following a three day hospital stay. Medicare does not pay anything once the 100 days are used during a benefit period. The result is that the SNF has a strong financial incentive to consume all or most of the 20 days that are fully paid by Medicare Part A. If the patient becomes sick for any reason while in the SNF, the SNF frequently sends the patient to a hospital rather than incur any additional costs to treat the patient for a condition that might be treated without hospitalization in a highly staffed facility with the ability to coordinate care with physicians at the hospital.

In states other than Maryland, the hospital has the incentive to discharge the Medicare inpatient as soon as possible since the hospital is paid on the basis of a condition based admission, and shorter stays result in more profit. Since 2014, Maryland hospitals are paid on the basis of guaranteed utilization, and avoid penalties for excessive 30 day readmissions or a failure to meet required quality standards. However, under the TCOC, the hospital will be held accountable in some way for all of the Part A and Part B costs of patients in its area. Therefore, uniquely in Maryland, the hospital has every incentive to try to have its patients discharged as early as possible to a SNF for post-acute care that has a history of short lengths of stay and low 30 day readmission rates. However, the SNF acts against its own economic interests when it behaves in this manner. An agreement like the one described in the proposal aligns the economic interests to improve health while decreasing costs.

The parties propose an arrangement involving approval by the HSCRC and approval of the CON by the MHRPC.

I hereby certify that a copy of this letter has been provided to the local health department, as required by regulations.

Sincerely



Peter P. Parvis

Enclosure: Proposal

cc: Ben Steffen, Executive Director, MHCC (ben.steffen@maryland.gov)
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University of Maryland Medical System

Proposal to the Health Services Cost Review Commission:

Risk Construct for the Management of Medicare FFS Total Cost of Care

in Partnership with Mid-Atlantic Health Care

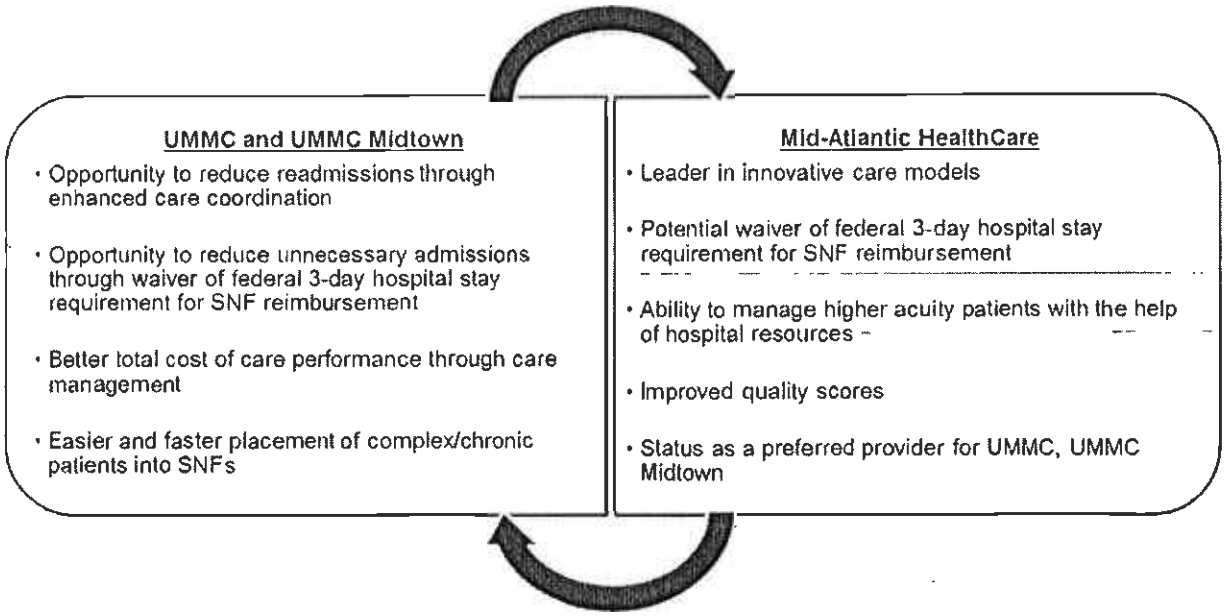
The purpose of this letter is to outline a proposal on behalf of two of its member hospitals, University of Maryland Medical Center ("UMMC") and UMMC Midtown Campus ("UMMC Midtown"), to take on risk for Medicare FFS Total Cost of Care for its patients that are discharged to Mid-Atlantic Health Care's ("MAHC") proposed new Skilled Nursing Facility. UMMS proposes a three-year pilot of this program, to be effective immediately upon opening of the new MAHC building.

Mid-Atlantic Health Care has submitted a Certificate of Need ("CON") application to the Maryland Health Care Commission, ("MHCC" or the "Commission") for an 80-bed nursing home at 300 West Fayette Street in downtown West Baltimore. University of Maryland Medical System ("UMMS") is interested in partnering with MAHC to control Medicare FFS TCOC on all patients discharged from University of Maryland Medical Center and UMMC Midtown Campus to MAHC's proposed new facility, Baltimore Nursing and Rehabilitation ("BNR"), d/b/a "Restore Health."

UMMC and UMMC Midtown ("the Hospitals"), two acute care hospitals in Baltimore City, are part of the University of Maryland Medical System, a nonprofit corporation committed to the triple aim of health care and the continuation of the Maryland Demonstration Model. As the state looks to progress to Phase II of the Demonstration Model, UMMS recognizes the importance of provider collaboration for managing the growth in Medicare FFS TCOC. While currently incented under the Global Budget Revenue ("GBR") construct to reduce avoidable hospital utilization and provide high quality, cost efficient care, UMMS sees the opportunity for managing costs along the entire care spectrum by aligning incentives with post-acute providers.

Restore Health will be located within close proximity to UMMC and UMMC Midtown and will feature facilities for the care and rehabilitation of post-acute patients, particularly medically complex patients and those currently experiencing long discharge delays. As such, UMMS anticipates that its patients requiring skilled nursing care following discharge will consider Restore Health when selecting a post-acute provider. Since SNFs are paid on a fee-for-service ("FFS") basis, UMMS and BNR operate under opposing financial incentives. Recognizing that hospitals will be expected to take responsibility for TCOC under Phase II of the Demonstration Model, UMMS views a partnership with MAHC as an effective vehicle through which both parties can address TCOC of the shared population through a set of mutually beneficial incentives:

Incentive Feedback Loop



UMMS proposes to take on 25% of the risk for the total cost of care, including all hospital and non-hospital costs, regardless of where the care is performed, for Medicare FFS patients discharged from UMMC or UMMC Midtown to the new proposed MAHC facility. Performance adjustments (rewards/penalties) will be made through annual adjustments to each hospital's GBR. To align with the HSCRC's proposed Medicare Performance Adjustment ("MPA"), UMMS plans to measure its performance on TCOC for these patients by comparing the actual annual TCOC rate of growth to the national growth rate. If the annual TCOC growth exceeds the national rate (dis-savings), UMMS proposes a penalty of 25% of the total overage (hospital + non-hospital). If the annual TCOC growth is below the national rate (savings), UMMS proposes a reward of 25% of the savings (hospital + non-hospital).

Sample Reward / (Penalty) Calculation

	Example A: TCOC Savings	Example B: TCOC Dis-savings
Base Year TCOC	$10,000,000	$10,000,000
Current Year TCOC	10,150,000	10,250,000
Change	1.50%	2.50%
National Growth Rate	2.00%	2.00%
Actual Growth	$150,000	$250,000
Growth at National Rate	200,000	200,000
Savings / (Dis-savings)	$50,000	($50,000)
Risk	25%	25%
Reward / (Penalty)	**$12,500**	**($12,500)**
Impact to HSCRC	*$37,500*	*($37,500)*

Recognizing the potential increase to Medicare FFS TCOC associated with a new SNF in its service area, UMMS seeks approval from the HSCRC for this proposal as an innovative way to facilitate new partnerships across providers while controlling the rise of non-hospital costs to its patients. As such, UMMS hopes that including the new MAHC facility in its preferred provider network will incent MAHC to work with UMMS on the management of its shared patients, improving health outcomes, reducing readmissions and targeting appropriate length of stay in both the hospital and SNF setting.

In addition to approval of this risk construct, UMMS seeks to work with the HSCRC and CRISP on optimizing available TCOC claims data for purposes of monitoring these patients in real time, tracking performance on TCOC and quality metrics for this patient subset, and calculating rewards and penalties.

The University of Maryland Medical System appreciates the opportunity to propose this risk construct on behalf of University of Maryland Medical Center and UMMC Midtown Campus and looks forward to working with HSCRC staff on this innovative risk construct.

Signed Henry J. Franey Dated 4/4/18

Henry J. Franey, MBA
Executive Vice President & Chief Financial Officer
University of Maryland Medical System

Signed Dated 4/5/18

Scott Rifkin, MD
Chairman
Mid-Atlantic Health Care