Featured Finding

Global Budgets Transformed Hospitals and Reduced Spending in Maryland

The Question:

What was the impact of Maryland's hospital global budget model on spending, utilization, hospital operations and hospital financial performance?

Hospital global budgets—annual targets for hospital revenue from inpatient and outpatient services—recently have emerged as a policy option for controlling U.S. health care costs. The Maryland All-Payer Model (MDAPM), established in 2014 as a model test by the Centers for Medicare & Medicaid Services' Innovation Center, is the most prominent global budget initiative in the U.S. MDAPM is an innovative state-based attempt to control per capita health care spending and shift incentives for hospital-based health care service use.

Researchers used a mixed-method approach that combined qualitative data with quantitative data from a hospital survey to document and understand the strategies hospitals used to operate under a global budget. The team also analyzed claims data using difference-in-differences models to estimate changes in Medicare and commercial insurance utilization and spending in Maryland relative to a comparison group.

The research team included Susan Haber, ScD; Heather Beil, PhD; Marisa Morrison, PhD; Leslie Greenwald, PhD; Rebecca Perry, MSc; Linda Jiang, BA; Sam Masters, PhD; Regina Rutledge, PhD; Olivia Berzin, MPH; Maggie Cole-Beebe, PhD; Rose Feinberg, MPH; and Lauren Zichittella, MS; RTI International

This work was produced as part of the federally funded Maryland All-Payer Model Evaluation (CMS Contract Number HHSM-500-2010-00021I). The contents of this publication are solely the responsibility of the authors and do not necessarily represent the official views of the U.S. Department of Health and Human Services or any of its agencies.

Key Findings

- Hospital spending under global budgets grew more slowly for Medicare beneficiaries and commercial plan members in Maryland than in the comparison group.
- The Medicare admission rate decreased more under global budgets in Maryland than the comparison group, and admissions for ambulatory care sensitive conditions declined for both Medicare beneficiaries and commercial plan members in Maryland.
- Outcomes that require collaboration with other providers in the community such as emergency department visits, readmissions, and follow-up visits after hospital discharge generally did not improve.

The Implications:

These findings suggest that hospital global budgets can reduce hospital expenditures and unnecessary utilization without adverse effects.

Significant transformation occurred among Maryland hospitals over the five years of All-Payer Model implementation. Hospitals, clinicians, and other stakeholders demonstrated that they were willing to accept the considerable uncertainty of a major change to their payment methodology.

Research revealed hospital savings for Medicare beneficiaries and commercial plan members, but did not find strong evidence for savings in total spending. The design of the MDAPM, which directly restricts hospital revenues, guarantees Medicare savings on hospital expenditures if global budgets are set to grow more slowly than spending rates for other states. As such, utilization may provide more insight than expenditures into the effects of the MDAPM. Researchers found evidence that hospital admissions, including admissions for ambulatory care sensitive conditions, declined for Medicare beneficiaries. Admissions for ambulatory care sensitive conditions declined for commercial plan members, but not overall admissions. Hospital savings and reductions in admissions were achieved without adverse impacts on hospital finances.

Still, the MDAPM had the greatest impact on outcomes that are directly under hospitals' control but outcomes that require collaboration with other providers in the community such as emergency department visits, readmissions, and follow-up visits after hospital discharge, generally did not improve. The MDAPM was envisioned as a stepping-stone to a population-based payment model that would hold hospitals responsible for use of all health care services by the populations they serve. The next stage, the Total Cost of Care Model, launched in January 2019, addresses limitations in MDAPM by continuing efforts to engage nonhospital providers, recognizing the role of community-based primary care providers, and putting hospitals partially at risk for total patient care costs.

Learn More

For additional information, please see the **final report** of the Maryland All-Payer Model.