

# Diamond State Hospital Cost Review Board

Delaware State University  
Bank of America Building Board Room 310  
1200 N. DuPont Highway  
Dover, Delaware 19901

March 11, 2025



# Agenda

- I: WELCOME/INTRODUCTIONS**
- II: OVERVIEW OF HB 350 AND THE BOARD'S CHARGE**
- III: REGULATORY AUTHORITY AND PROCESS**
- IV: CADENCE OF MEETINGS**
- V: CLOSING REMARKS**
- VI. PUBLIC COMMENT**
- VII: ADJOURN**



# Welcome and Introductions

## Board Members

- Rick Geisenberger, Chair
- Thomas Brown
- Heath Chasanov
- Brian Frazee
- Devona Goeins-Williams, PhD
- David Singleton





# HS 2 for HB 350:

## Establishment and Duties of the Diamond State Hospital Cost Review Board

Steven Costantino, Associate Deputy Secretary of Health Care Innovation and Finance, DHSS

Elisabeth Massa, Executive Director, Delaware Health Care Commission, DHSS

# Healthcare Spending Benchmark

EO 19, Creating an advisory group around healthcare spending and quality metrics.

2017

EO 25, Establishing the Delaware Healthcare Spending and Quality Benchmarks

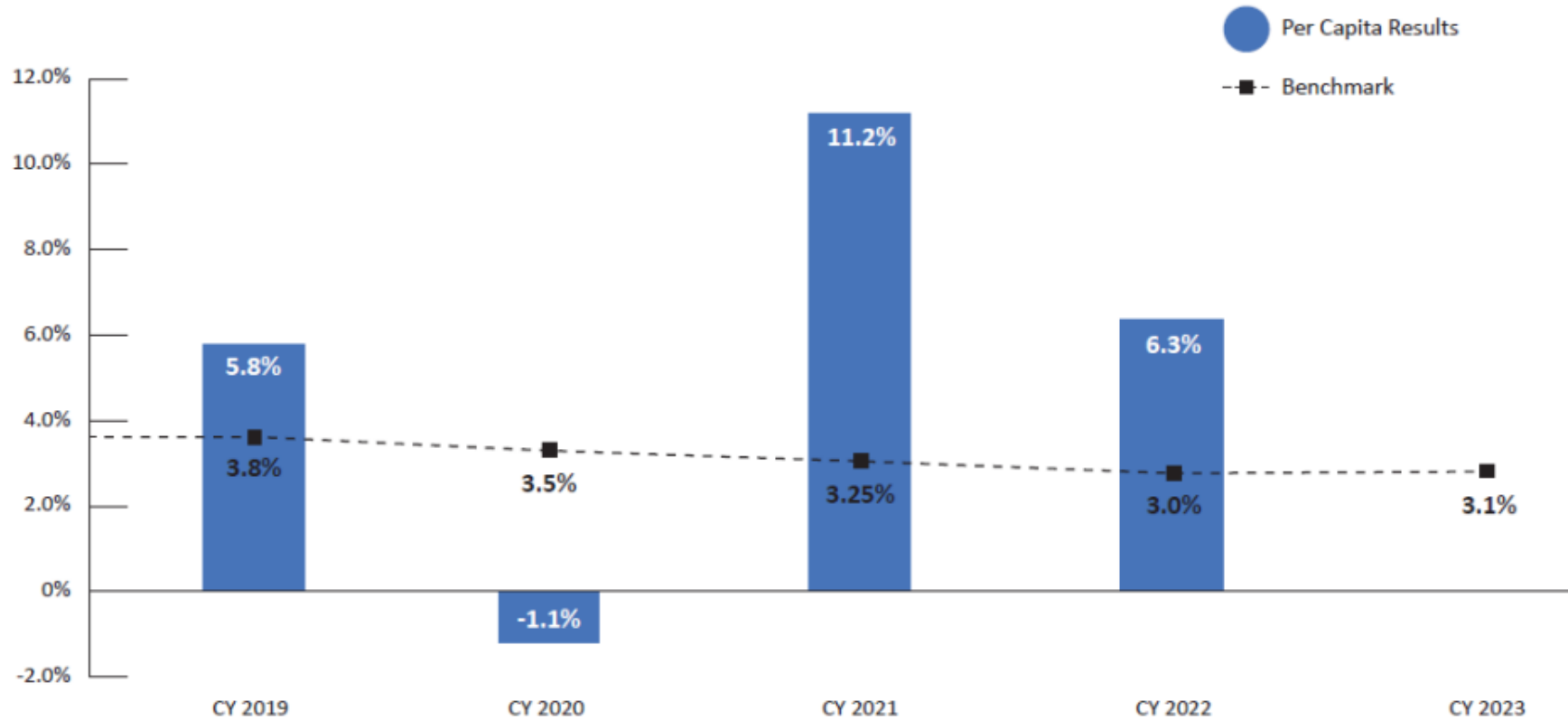
2018

HA 1 for HB 442, Codifying the Delaware Healthcare Spending and Quality Benchmarks

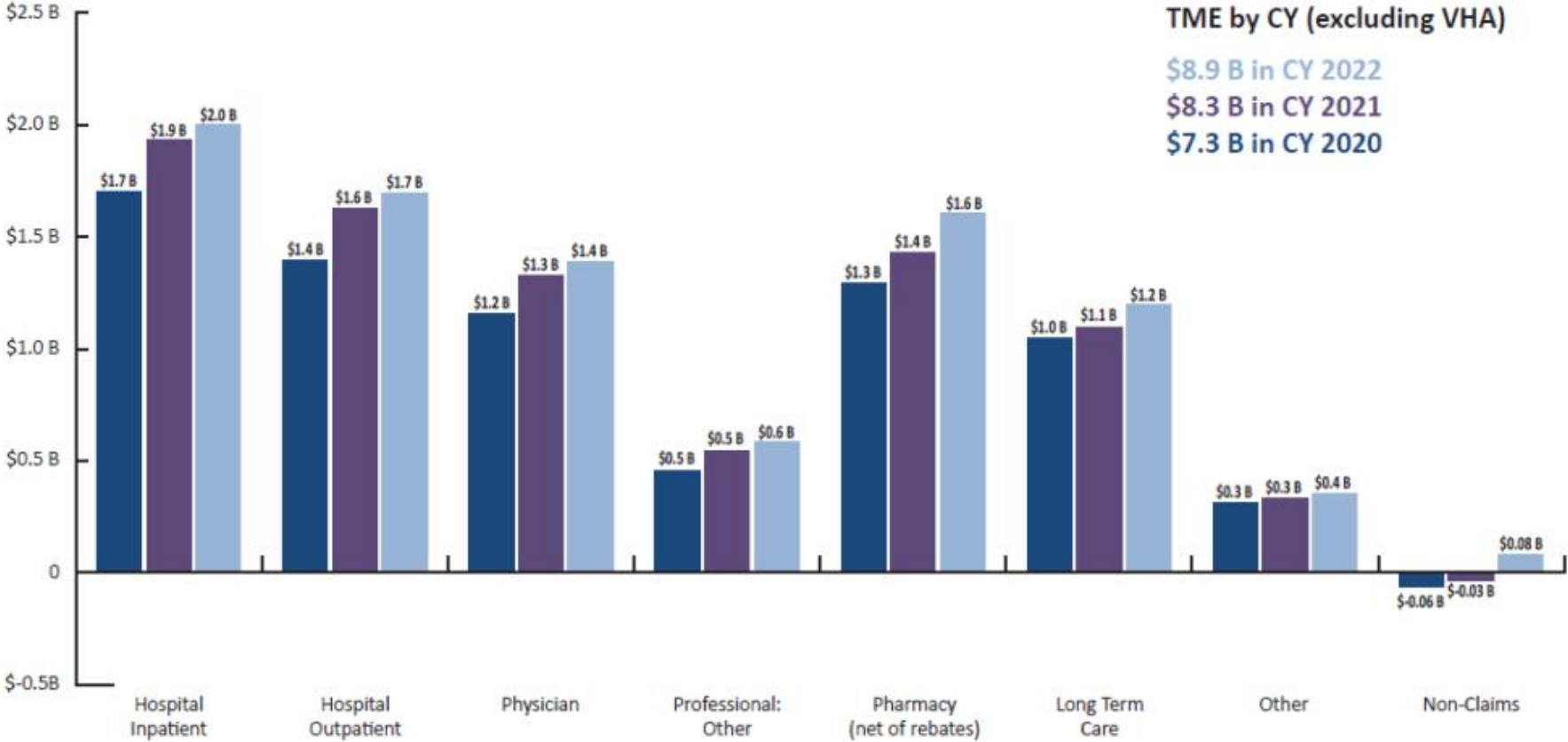
2022



# Benchmark Trend – THCE Per Capita



# Benchmark Trend – Service Category



# HS 2 for HB 350



CREATES DIAMOND STATE  
HOSPITAL COST REVIEW BOARD



ESTABLISHES A PROCESS FOR  
REVIEW OF HOSPITAL BUDGETS



ALLOWS FOR DEVELOPMENT OF  
PERFORMANCE IMPROVEMENT  
PLANS AND BUDGET APPROVAL





# Diamond State Hospital Cost Review Board

## Composition and Qualifications

- The Board Consists of 8 members as follows:
  - Seven voting members, including at least one member from each county, appointed by the Governor and approved by the Senate.
  - President and CEO of the Delaware Healthcare Association
- Members shall serve four-year terms, exception for initial appointments.
- Members must possess knowledge of healthcare policy, delivery, or business, finance or accounting, and have knowledge, experience, and characteristics that compliment those of the remaining Board members.
- Members must have the ability to remain impartial and free from undue influence from entities subject to supervision or regulation by the board.



# Submission and Analysis of Financial Information

## Hospital Financial Submissions

- **Reporting:** Hospitals are required to annually submit any of the following as determined by regulations and guidance:
  - Operating budget, previous year's spending and revenue data, detailed financial information, scope and volume of services, utilization information, new hospital services and programs, projected 3-year capital budget, contract information with public and private purchasers, any other information determined relevant.
  - Hospitals shall submit audited financial statements to the Board, within 30 days of such audited financial statements becoming finalized. This requirement begins with audited financial statements for 2023.

## Board Evaluation

- In reviewing each budget submission, the board shall:
  - Review utilization information.
  - Determine whether the hospital has met the healthcare spending benchmark.
  - Conduction public meetings with hospitals to discuss proposed budgets.
  - Review workforce investments.
  - Assess leadership salaries.
  - Facilitate public input.



# Performance Improvement Plan (PIP)

## Initiation of PIP

- **Trigger:** Starting in 2026, if a hospital's annual cost growth surpasses the spending benchmark, the Diamond State Hospital Cost Review Board will notify the hospital and may require the submission of a Performance Improvement Plan (PIP) within 45 days.

## PIP Submission Requirements

- **Content:** The PIP must:
  - Identify the causes of cost growth.
  - Detail specific strategies, adjustments, and action steps to improve cost performance.
  - Include measurable expected outcomes.
  - Provide a timetable for implementation, not exceeding 12 months.

## Board Review and Approval

- **Assessment:** The Board will evaluate the PIP's completeness and effectiveness.
- **Feedback:** If deemed unacceptable or incomplete, the Board will provide written guidance on unmet criteria and may allow up to 30 additional days for resubmission.
- **Approval:** Upon acceptance, the Board will notify the hospital, which may then be subject to additional reporting and compliance monitoring.



# Performance Improvement Plan (PIP)

## Post Implementation Evaluation

- **Reporting:** At the end of the PIP's timetable, or earlier if determined by the Board, the hospital must report on its progress or outcomes.
- **Outcomes:** If the PIP is unsuccessful, the Board may:
  - Extend the current PIP's implementation period.
  - Require a new PIP submission
  - Mandate participation in the budget approval process.

## Regulatory Framework

- **Guidance:** The Board will issue additional regulations and guidance on the PIP process, considering factors such as:
  - Hospital financial condition.
  - Ongoing strategies to improve patient access and quality.
  - Plans for long-term efficiency.
  - Population growth in the service area.
  - Other relevant factors.



# Approval or Modification of Hospital Budgets

## Initiation of Budget Review

- **Trigger:** If a hospital fails to demonstrate sufficient progress in its PIP or does not submit an acceptable PIP, it may be required to submit its next year's budget to the Board for review and approval.

## Budget Review and Approval

- **Process:** Upon submission, the Board will either:
  - Approve as submitted
  - Engage in modification through collaboration with the hospital.
  - Include measurable expected outcomes.
  - Provide a timetable for implementation, not exceeding 12 months.
- **Timeline:** A budget must be approved as submitted or modified at least 90 days before the start of the hospital's next fiscal year.

## Criteria for Budget Approval

- **Spending Benchmark:** Aligning as closely as reasonable with the spending benchmark while considering the hospital's financial position and economic factors..
- **Operational Efficiency:** Promoting efficient.
- **Financial Stability and Quality Care:** Ensuring the hospital can meet its financial obligations while providing quality care.



# Approval or Modification of Hospital Budgets

## Budget Modification and Disputes

- **No Mandatory Modification:** The board cannot require changes if the submitted budget reflects growth equal to or less than the spending benchmark.
- **Imposed Modifications:** If an agreement on a modified budget cannot be reached, the Board may impose its own budget and will provide a written decision outlining the reasons, demonstrating how it satisfied the stated criteria.

## Adjustments and Monitoring

- **Mid-Year Adjustments:** The Board may adjust an approved budget during the fiscal year upon application, provided there is a demonstrated need due to external or unforeseen circumstances.
- **Information Requests:** Hospitals are required to provide information deemed necessary by the Board to assess compliance with the approved budget.

## Exit from Approval Process

- **Criteria for Exit:** A hospital that successfully meets its budget goals for three consecutive years may no longer be required to participate in the budget approval process.



# Appeal and Enforcement

## Appeal Process

- **Right to Appeal:** Hospitals affected by a final decision of the Board can appeal to the Superior Court within 30 days of the decision's service date.

## Enforcement Measures

- **Civil Penalties:** Hospitals that knowingly fail to provide required information or adhere to standards, procedures, and deadlines related to the process may face civil penalties of up to \$500,000.
- **Budget Non-Compliance:** If a hospital subject to budget approval fails to maintain its approved budget, the Board may:
  - Factor the excess revenues into the hospital's budget for the forthcoming year.
  - Allow the hospital to retain surplus funds if achieved within the approved budget.
  - Permit retention of surplus funds generated by volume that exceeds expectations



# Temporary Pricing Measures

- **Pricing Cap:**
- For 2025 and 2026, hospitals are prohibited from charging any payer, purchaser, insurer, or public program more than the greater of:
  - 2% increase over the previous year's rates, or
  - Core Consumer Price Index (CPI) plus 1% over the previous year's rates.
- **Exemptions:**
- Hospitals are exempt from these pricing measures if they meet either of the following criteria:
  - Serve less than 5% Medicare-eligible patients per year, or
  - Derive 45% or more of their revenue from Medicaid or uninsured patients.







# Regulatory Authority and Process

Elisabeth Massa

Executive Director, Delaware Health Care Commission,  
DHSS

# Regulatory Authority and Process

## Office of the Registrar of Regulations

<https://regulations.delaware.gov/>

### Background

- Originally adopted in 1976, the Delaware Administrative Procedures Act governs the process for adopting administrative regulations.
  - Sets forth the requirements for filing proposed, emergency, and final regulations
  - Regulations adopted under this process have the force and effect of law



# Regulatory Authority and Process

## Regulatory Adoption Process

- Submit the proposed regulation to the Registrar of Regulations by the 15th of the month
- Proposed regulation and public notice are published in the *Register of Regulations* on the 1st of the following month
- Public hearing no less than 20 days after publication
- Public comment period remains open no less than 30 days after publication; if holding a public hearing, the public comment period shall be extended for a minimum of 15 days after the public hearing



# Regulatory Authority and Process

- Submit the final regulation by the 15th of the month after the close of public comment
- Final regulation and Order are published in the *Register of Regulations* on the 1st of the following month
- Regulation effective 10 days after publication (unless delayed effective date)
- Adopted regulation updated in the Administrative Code after the 11th of the month or delayed effective date



## Illustrative Example

# REGULATORY PROCESS- SHORTEST INTERVAL

2016 MAY						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Proposed submission due to the Registrar's Office

2016 JUNE						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Publication date

First opportunity for public hearing, if applicable



## Illustrative Example

First opportunity to end public comment period (with hearing)

2016 JULY						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

First opportunity to end public comment period (no hearing)

Final submission due

Publication date

First possible effective date

2016 AUGUST						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

REGULATORY PROCESS- SHORTEST INTERVAL  
CONT.



# Meeting Cadence

Board will meet the second Tuesday of the month.

## Time:

10:00 a.m. – 12:30 p.m.

## Dates:

- April 8, 2025
- May 13, 2025
- June 10, 2025

## Location:

### DHSS Chapel

### Herman M. Holloway Sr. Health and Social Services Campus

1901 N. DuPont Highway  
New Castle, DE 19720

or

### Delaware State University

### Bank of America Building (BOA)

### Executive Board Room 310

1200 N. DuPont Highway  
Dover, DE 19901





# Closing Remarks

Rick Geisenberger, Chair





# Public Comment

**THANK YOU**

