Outside the Ledger: The Unseen Costs of Hospital Global Budgets

Evidence from Maryland

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Maryland, in partnership with the Centers for Medicare & Medicaid Services, launched Global Budget Revenue (GBR), the nation's only statewide, all-payer hospital payment program that places facility revenue under prospective caps to curb healthcare spending growth. Using one of the largest U.S. datasets of commercial insurance claims and a difference-in-differences design, we examine changes in hospital care and spending among Maryland residents with employer-sponsored insurance. We find no statistically detectable reduction in overall hospital utilization or total hospital spending. Disaggregation by care setting, however, reveals marked variation: emergency department (ED) and repeat ED visits decline, whereas inpatient admissions and outpatient non-ED visits do not change detectably. Two further patterns emerge around the budget boundary with implications for cost containment. First, following *inpatient* stays, use of home health services, which are outside the budget's reach, increases. This increase corresponds with a joint reduction in inpatient length of stay and an increase in total spending across hospital and non-hospital settings. Second, within *outpatient* care, non-ED encounters involve more procedures and higher coded intensity, accompanied by higher professional spending among hospital users along with no detectable change in facility spending. An illustrative extrapolation places the 2018 differential increase in professional spending associated with hospital care at roughly $257 million for Maryland's employer-sponsored population, approaching the Model's five-year $330 million Medicare savings target. These findings offer a design lesson as hospital global budgets expand to other states: next-generation models should account for the operational interdependence of care across settings, entities, and stages of delivery.

Key words: Hospital global budgets, Maryland global budget revenue program, healthcare payment reform, healthcare operations, empirical analysis