MINUTES OF THE COMMUNITY HEALTH CARE INVESTMENT AND CONSUMER INVOLVEMENT COMMITTEE

Meeting of July 10, 2013

MASSACHUSETTS HEALTH POLICY COMMISSION

THE COMMUNITY HEALTH CARE INVESTMENT AND CONSUMER INVOLVEMENT COMMITTEE OF THE MASSACHUSETTS HEALTH POLICY COMMISSION
Center for Health Information and Analysis
Daley Room, Two Boylston Street, 5th Floor
Boston, MA 02116

Docket: Wednesday, July 10, 2013, 9:00 AM – 10:30 AM

PROCEEDINGS

The Massachusetts Health Policy Commission's Community Health Care Investment and Consumer Involvement (CHICI) Committee held a meeting on Wednesday, July 10, 2013 at the Daley Room of the Center for Health Information Analysis at Two Boylston Street, Boston, MA.

Committee members present were Dr. Paul Hattis, Chair, Mr. Rick Lord, Ms. Jean Yang, and Ms. Kim Haddad, designee for Mr. Glen Shor, Secretary of Administration and Finance. Ms. Veronica Turner participated in the meeting via phone.

Commission Chair Stuart Altman was also present.

Chair Hattis called the meeting to order at 9:03 AM.

ITEM 1: Committee Minutes

Chair Hattis made no changes to the minutes and asked for a motion to accept the minutes. Mr. Lord moved to accept the Committee minutes from June 17, 2013 and Chair Altman seconded. The Committee unanimously accepted the minutes.

ITEM 2: Update on One-Time Assessment

Chair Hattis opened the meeting by framing the Health Policy Commission's (HPC) role. He noted that the Commission has the broad charge to reduce health care spending while also asking the more challenging questions about the sector. He outlined that the day's discussion was centered on determining how the Commission can invest in and support the efforts of community hospitals. The end goal of this innovation is having the hospitals work in an added value way so that the community gains from the efforts of the HPC.

Before turning the discussion over to Executive Director David Seltz, Chair Hattis thanked the staff for their efforts in defining the Community Hospital Acceleration, Revitalization, and Transformation (CHART) investments and called upon the Commissioners and general public to give comments at the end of the meeting.

David Seltz, Executive Director, then discussed the background of the One-Time Assessment collected by the HPC. He noted that, with the close of Fiscal Year (FY) 2013 on June 30, 2013, the HPC has finalized the amount of money to be collected by the Assessment from payers and qualifying hospitals. With this understanding, he could project with certainty the amount of money to be deposited into the Distressed Hospital Trust Fund. Payers had the option to pay in lump sum or over four years. For this reason, the first year has a disproportionate amount of money deposited.

In FY13, $74.2 million was collected by the Assessment. This money will be divided into a number of funds. In FY13, the Distressed Hospital Trust Fund will receive $39.9 million, or one-third of the four year total, from the Assessment. This amount reflects the partial mitigation awarded to seven qualifying hospitals by the Commission in June 2013. Over the next three years, the Distressed Hospital Trust Fund will receive $26.3 million a year. Mr. Seltz noted that this money rolls over among fiscal years.

After outlining the details of the One-Time Assessment, Mr. Seltz asked the Committee to consider how the HPC wanted to disperse the Fund, noting that it could be distributed at once or staggered over four years. He noted that the staff would also be looking to Commissioners for advice in creating the framework and criteria for the dispersal of funds with the goal of distributing some funds by the end of the calendar year.

Mr. Seltz then discussed the two main areas that the Committee would have to help define. First, the HPC has to promulgate regulations for the program. The staff has provided a legal framework, but the program details will be in the RFR and up for discussion as the investment program move forward. The staff planned on seeking approval from the Committee today, then bringing the regulations to the full Commission on July 25. If approved, there will be a public hearing on the regulations in August. The second area for discussion is hospital eligibility. The statue lays out strict criteria for eligible hospitals that the staff will work through with Commissioners.

Chair Hattis asked if the HPC were precluded from dispersing a multi-year grant. Mr. Seltz answered that a multi-year fund was a possibility and has been done by many other similar funds.

ITEM 3: Update on Proposed Regulations for the Distressed Hospital Trust Fund Grant Program

Iyah Romm, Director of System Performance and Strategic Investment, presented on the proposed regulations for the CHART Investment Program (958 CMR 5.00 Grant Administration). He noted that the proposed framework symbolizes the architecture of the program and not the details of the RFR. He then reviewed the timeline for the creation of the regulations and framework with the ultimate goal of dispersing some funds by the end of the calendar year.

After discussing the proposed regulation, Mr. Romm paused for questions from the Committee members. Seeing none, the Committee moved to the next order of business.

ITEM 4: **Hospital Eligibility**
Mr. Romm summarized the statutory criteria for hospital eligibility. He noted that eligibility is not a point in time consideration but rather an assessment at each point in time that the fund is open for applications. The statute requires that hospitals be non-teaching, not for-profit, and have a relative price below the median as reported by the Center for Health Information and Analysis (CHIA) using the aggregate price index. Mr. Romm then reviewed the hospitals which were deemed ineligible by these criteria as of July 10, 2013.

Dr. Stuart Altman asked if the technique used by CHIA does any adjustment for the complexity of the patients that the hospitals treat. Mr. Romm responded that this approach does not take into consideration further adjustment for case mix beyond that initially applied to the data by CHIA. He noted that these sets are case mix adjusted and this is purely based on that relative price and our application of payer mix.

Chair Hattis asked about the timeliness of CHIA's data as it pertains to the overall financial position of the hospital. Mr. Romm answered that the calculation is based on the most recent data which is from calendar year 2011.

Mr. Rick Lord noted that the list of ineligible hospitals was an interesting mix, including some that he did not expect. Kim Haddad, designee for Mr. Glen Shor, Secretary of Administration and Finance, reaffirmed this notion, proposing that there seem to be geographic trends as well.

Mr. Romm then presented a list of eligible hospitals if the calculation were run on July 10, 2013. The list included 30 eligible hospitals, qualifying only because of the statutory requirements for the CHART investment program.

Chair Hattis noted that the list was essentially the result of casting a net and capturing both institutions that the investments seems appropriate for as well as those that do not meet the underlying concept of need. He highlighted the HPC's goal to refine the eligibility list through the process of an RFR. Mr. Romm agreed with Chair Hattis mentioning that the final framework must take into consideration the affiliations, payer mixes, and other key criteria.

Dr. Altman expressed concern over the use of the word distressed when describing this innovation fund.

Mr. Romm announced the new branding of the statutorily defined Distressed Hospital Trust Fund as the Community Hospital Acceleration, Revitalization, and Transformation (CHART) Investments. He outlined a vision of these investments as a means for encouraging investment, innovation, evaluation, and sustainable development. The Committee members showed approval and appreciation for the new branding of the program.

Mr. Romm then reviewed the statutory goals for the fund which are focused on building sustainable innovations that maximize return on investment. He noted the following four guiding principles for the staff when creating the framework for this Fund:

1. Be sensitive to the variation in circumstance
2. Be timely, transparent, in all we do
3. Value the power of alignment
4. Value efforts to address complex change

Chair Hattis asked if the RFR language will come before the Commission for approval before it goes out to the public. Mr. Romm noted that, pursuant to the regulatory framework, there is not an approval process per say but that the staff would like to maintain constant engagement with Committee members. Chair Hattis said that other Commissioners not on the CHICI Committee may want to contribute and encouraged the staff to consult the full Commission. He also noted that the staff could use the RFR to focus the grants on issues that are important to the Commission. Mr. Seltz detailed that the legal language for the RFR will be developed by the staff but the Commission will have final say on the specificity of the RFR.

Dr. Altman asked if the Commission has the authority to include hospitals that do not meet the statutory requirements and exclude some of those that do. Mr. Romm noted that the HPC has no obligation to provide awards to all eligible institutions. He also noted that the statute has strict criteria for inclusion in the grant, but that staff was examining ways of including hospitals that do not meet the requirements but have extenuating circumstances.

Dr. Altman then expressed discomfort in using CHIA's definition of the aggregate price index because it excludes Medicaid fee-for-service. He asked if the HPC could include these fee-for-service institutions that do not qualify. Mr. Romm noted that staff was looking into the potential for waivers or other exceptions, but noted the specificity of the statute. Dr. Altman expressed a desire to have the audience know that the Commission is mindful of the restrictions laid out by the legislation. Lois Johnson, HPC's General Counsel, noted that the definition was not strictly CHIA's but rather the statutory term that the HPC must deal with that includes a relative price calculation as determined by CHIA.

Ms. Veronica Turner stated that the statutory definition is lacking because there are hospitals that do not qualify that should. Chair Hattis noted that hospitals that are excluded may be able to seek funding from another fund. Mr. Lord stated that nothing precludes the Commission from asking the Legislature for clarifying language or leniency in the regulation. Mr. Seltz noted that the HPC does not want to foreclose on the option of finding a creative solution. He stated that the staff would explore options and report back to the Committee.

Mr. Romm next reviewed the principles of application selection. First, hospitals must meet the necessary requirements under the statute. Second, the hospitals must show significant engagement and a commitment to system transformation. He then reviewed the statutory and other factors that the Commission should consider before dispersing awards. He noted

that the staff will spend the next 60 days identifying a deep criteria to evaluate applications with input from the public and Commissioners.

Chair Hattis asked if the return on investment for the program was strictly financial. Mr. Romm replied that the return could be considered more broadly, considering the needs of the community.

Mr. Romm then reviewed the four proposed necessary factors of change for hospitals. He noted that it is a sequential path towards transformation that begins with executive commitment to change, is followed by meaningful infrastructure investments which leads to innovative approaches to delivery and results in a model for sustainability.

He then discussed the possibility of aligning with other agencies and programs. In doing so, Mr. Romm highlighted a variety of state, federal, and private funds and grants. He noted that, with regards to the CHART investments, the HPC should look for areas of synergy and/or gap filling.

Dr. Altman asked if the HPC will consider the position of community hospitals under larger system umbrellas when reviewing CHART applications. Mr. Romm noted that this should be factored into the process and that this information is reported in the relative price consideration criteria. Chair Hattis noted the importance of Dr. Altman's question. Ms. Johnson stated that the statue provides for this consideration and that it is captured in the HPC draft regulations on the CHART program. The draft regulation outlines a criterion of financial health and demonstrated need for investment, which takes into consideration the resources available to the hospital.

Mr. Romm reviewed the metrics of evaluating the success of the CHART investments. He discussed the cross-program, unified evaluation framework under development by the staff which has a triple aim: better health, lower cost, and better care.

Chair Hattis asked if the HPC staff would be involved in the support functions for evaluating the success of the program. Mr. Romm stated that it may be a mixed approach, based off of staff capacity. Chair Hattis pointed out that it is important to know who is measuring when thinking about measureable improvement. Mr. Seltz noted that, according to the statute, 10% of the fund can be used for its administration.

ITEM 5: Discussion of Framework for the Distressed Hospital Trust Fund Grant Program

Mr. Romm next laid out three key areas of future considerations. He urged Commissioners to provide input on the program structure, process, and framework; prioritization and alignment; and evaluation and fund development.

Chair Hattis stated that Commissioners should also consider to what extent awardees will act alone and what level of sharing there will be with others in the field. He noted that it

may be a necessary criterion for a grantee to make itself available to share what it learned with others.

Mr. Seltz noted that $120 million is not a lot of money so the HPC must prioritize when accepting and evaluating applications. He suggested that the HPC target areas where the funding can make a difference. Moving forward, he urged Commissioners to consider the benefits of small versus large investments.

Chair Hattis asked Commissioners for any further comments. Seeing none, he opened the meeting for public comment.

ITEM 6: Public Comment

Celia Wisclo from 1199 agreed with two topics discussed during the meeting. She echoed the reality of geographic barriers for hospitals in Western Massachusetts and the Cape Cod region. She also affirmed that the HPC needs to look at the entire hospital system and access to capital when evaluating applications to the CHART investments. She noted that the investments should be targeted towards hospitals that have the commitment to complete projects but lack the capital to do so.

Tish McMullen from Beth Israel Deaconess Medical Center asked about Cambridge Health Alliance and the extent to which the three campuses qualify for the program. Mr. Romm noted that the three hospitals all fall within the structure of the Cambridge branch and, therefore, are considered a single entity under the definition.

A Regis College Nursing Student asked for details on the specific purpose of the investments. Specifically, she wanted to know if it would be possible to apply for the money in addendum to a project already taking place or if it was only for new projects. Mr. Romm noted that this question will be answered as the HPC develops the framework for the program. Chair Hattis and Ms. Haddad agreed that they would not insist on a new project and would be okay with mixed funding for ventures to which hospitals were committed.

Mr. Seltz noted that the HPC will be accepting input on the framework for the grants, and that he welcomes all public comments in electronic form.

Seeing no other comments, Chair Hattis announced the public hearing on the CHART program regulation, scheduled for August 29, 2013.

ITEM 7: Adjournment

Chair Hattis adjourned the meeting at 10:14 AM.