Lahey Health

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October 3, 2014

Mr. David Seltz
Executive Director
Health Policy Commission
Two Boylston Street, 6th Floor
Boston, MA 02116

Dear Executive Director Seltz:

Enclosed please find written testimony submitted on behalf of BayRidge Hospital for the purpose of providing a supplemental response to certain questions addressed in the Lahey Health System, Inc. testimony.

I, Howard R. Grant, am legally authorized and empowered to represent Lahey Health System, Inc. and all subsidiary entities, for the purposes of this testimony, and this testimony is signed under the pains and penalties of perjury.

Sincerely,

Howard R. Grant, J.D., M.D.
President and Chief Executive Officer
Lahey Health System, Inc.

2014

RESPONSE TO REQUEST FROM
THE HEALTH POLICY COMMISSION (HPC)
OF THE COMMONWEALTH OF MASSACHUSETTS

ADDENDUM TO

Lahey Health System, Inc. and Subsidiaries Written Testimony Submission (filed 9.8.14)

ON BEHALF OF

BayRidge Hospital

A satellite hospital of Northeast Hospital Corporation d/b/a Beverly Hospital. Lahey Health System, Inc. is the sole corporate member of Northeast Hospital Corporation.

Please Note

BayRidge Hospital is a satellite hospital operated under the license of Northeast Hospital Corporation d/b/a Beverly Hospital. Lahey Health System, Inc. is the sole corporate member of Northeast Hospital Corporation. As such it is implied that BayRidge Hospital responses are contained in the pre-filed testimony submitted on September 8, 2014 by Lahey Health System, Inc. and Subsidiaries.

In an effort to most fully comply with HPC requests, this supplement provides BayRidge Hospital-specific responses to select HPC Exhibit B questions. Supplement responses are provided for questions only if a response would materially augment the System response, or if a BayRidge-specific response (due to the focus on behavioral health) would vary materially from the System response.

1. CHAPTER 224 OF THE ACTS OF 2012 (C. 224) SETS A HEALTH CARE COST GROWTH BENCHMARK FOR THE COMMONWEALTH BASED ON THE LONG-TERM GROWTH IN THE STATE'S ECONOMY. THE BENCHMARK FOR GROWTH BETWEEN CY 2012- CY 2013 AND CY 2013-CY 2014 IS 3.6%.

RESPONSE

a) What trends has your organization experienced in revenue, utilization, and operating expenses from CY2010-CY2013 and year-to-date 2014? Please comment on the factors driving these trends.

Please see attachment A-1 a.

There is minimal fluctuation year over year in revenue, utilization and operating expenses. We assume this is the result of consistently high need and stable payer mix and cost structure over time.

b) What actions has your organization undertaken since January 1, 2013 to ensure the Commonwealth will meet the benchmark, and what have been the results of these actions?

c) What actions does your organization plan to undertake between now and October 1, 2015 to ensure the Commonwealth will meet the benchmark?

d) What systematic or policy changes would encourage or enable your organization to operate more efficiently without reducing quality?

The Commonwealth's high spending for those with chronic and co-morbid behavioral health conditions has clearly been demonstrated as a major issue. Our efforts to minimize cost-intensive overutilization in the emergency department and non-behavioral-health-specific acute care facilities is documented in the Lahey Health System, Inc. and Subsidiaries response to Exhibit B, question 11. Similarly, our efforts to improve coordination and deliver targeted care management to high-risk populations is documented in multiple responses provided in the Lahey Health System, Inc. and Subsidiaries response.

2. C. 224 REQUIRES HEALTH PLANS TO REDUCE THE USE OF FEE-FOR-SERVICE PAYMENT MECHANISMS TO THE MAXIMUM EXTENT FEASIBLE IN ORDER TO PROMOTE HIGH QUALITY, EFFICIENT CARE DELIVERY.

RESPONSE

a) How have alternative payment methods (APMs) affected your organization's overall quality performance, care delivery practices, referral patterns, and operations?

BayRidge (as part of Lahey Behavioral Health Services more broadly) supports all Lahey Health aligned physician efforts – via care coordination policies, information sharing and primary care model redesign – to achieve APM contract goals for any covered lives treated at BayRidge and lives that are co-morbid with behavioral and physical health conditions. The proportion of Lahey Health APM contracts (commercial and Medicare Shared Savings) to which this is currently applicable is nominal given the predominance of Medicaid and non-FFS Medicare as behavioral health payers.

Lahey Health sees potential benefit in the expansion of APM contracts to specifically incorporate behavioral health services and providers though this may be somewhat challenging to execute given the unique behavioral health services practice environment and population served. A Medicaid or sub-population-specific Medicare APM contract would be most logical for this type of expansion.

Finally, while there is clearly a need to incentivize better management of behavioral health utilization and spending and reimburse based on value, the care model innovation and infrastructure investments required to enable any success under APM contracts are significant.

b) Attach and discuss any analyses your organization has conducted on the implementation of APMs and resulting effects on your non-clinical operations (e.g., administrative expenses, resources and burdens). Please include the results of any analyses your organization has conducted on this issue, including both for your patients paid for under APMs and for your overall patient population.

Not applicable to BayRidge or no additional comments beyond those provided in the Lahey Health System, Inc. and Subsidiaries response.

3. PLEASE COMMENT ON THE ADEQUACY OR INSUFFICIENCY OF HEALTH STATUS RISK ADJUSTMENT MEASURES USED IN ESTABLISHING RISK CONTRACTS AND OTHER APM CONTRACTS WITH PAYERS.

RESPONSE

a) Do health status risk adjustment measures sufficiently account for changes in patient population acuity, including in particular sub-populations or those with behavioral health conditions?

Please see the Lahey Health System, Inc. and Subsidiaries response wherein we address the inadequacy of health status adjustment measures for behavioral health issues, socioeconomic issues, and those co-morbid with behavioral and physical chronic health issues.

b) How do the health status risk adjustment measures used by different payers compare?

c) How does the interaction between risk adjustment measures and other risk contract elements (e.g., risk share, availability of quality or performance-based incentives) affect your organization?

Not applicable to BayRidge or no additional comments beyond those provided in the Lahey Health System, Inc. and Subsidiaries response.

4. WHAT TYPES OF DATA ARE OR WOULD BE MOST VALUABLE TO YOUR ORGANIZATION RE: APM CONTRACT PERFORMANCE? IN YOUR RESPONSE, PLEASE ADDRESS (I) REAL TIME DATA TO MANAGE PATIENT CARE AND (II) HISTORIC DATA OR POPULATION-LEVEL DATA THAT WOULD BE HELPFUL FOR POPULATION HEALTH MANAGEMENT AND/OR FINANCIAL MODELING.

RESPONSE

Again, the direct impact of currently held Lahey Health APM contracts on BayRidge is minimal. However, in general, more comprehensive data on socioeconomic variables substantially impacting the ability to manage care and to model performance would be beneficial.

5. C. 224 REQUIRES HEALTH PLANS TO ATTRIBUTE ALL MEMBERS TO A PRIMARY CARE PROVIDER, TO THE MAXIMUM EXTENT FEASIBLE.

RESPONSE

a) Which attribution methodologies most accurately account for patients you care for?

b) What suggestions does your organization have for how best to formulate and implement attribution methodologies, especially those used for payment?

No additional comments beyond those provided in the Lahey Health System, Inc. and Subsidiaries response.

6. PLEASE DISCUSS THE LEVEL OF EFFORT REQUIRED TO REPORT REQUIRED QUALITY MEASURES TO PUBLIC AND PRIVATE PAYERS, THE EXTENT TO WHICH QUALITY MEASURES VARY ACROSS PAYERS, AND THE RESULTING IMPACT(S) ON YOUR ORGANIZATION.

RESPONSE

7. AN ISSUE ADDRESSED BOTH AT THE 2013 ANNUAL COST TRENDS HEARING AND IN THE COMMISSION'S JULY 2014 COST TRENDS REPORT SUPPLEMENT IS THE COMMONWEALTH'S HIGHER THAN AVERAGE UTILIZATION OF INPATIENT CARE AND ITS RELIANCE ON ACADEMIC MEDICAL CENTERS.

RESPONSE

a) Please attach any analyses you have conducted on inpatient utilization trends and the flow of your patients to AMCs or other higher cost care settings.

b) Please describe your organization's efforts to address these trends, including, in particular, actions your organization is taking to ensure that patients receive care in lower-cost community settings, to the extent clinically feasible, and the results of these efforts.

Not applicable to BayRidge or no additional comments beyond those provided in the Lahey Health System, Inc. and Subsidiaries response.

8. THE COMMISSION FOUND IN ITS JULY 2014 COST TRENDS REPORT SUPPLEMENT THAT THE USE OF POST-ACUTE CARE IS HIGHER IN MASSACHUSETTS THAN ELSEWHERE IN THE NATION AND THAT THE USE OF POST-ACUTE CARE VARIES SUBSTANTIALLY DEPENDING UPON THE DISCHARGING HOSPITAL.

RESPONSE

a) Please describe and attach any analyses your organization has conducted regarding levels of and variation in the utilization and site of post-acute care, as well as your efforts to ensure that patients are discharged to the most clinically appropriate, high-value setting.

Not applicable to BayRidge or no additional comments beyond those provided in the Lahey Health System, Inc. and Subsidiaries response.

b) How does your organization ensure optimal use of post-acute care?

The response provided in the Lahey Health System, Inc. and Subsidiaries response adequately describes the efforts underway to ensure optimal use of post-acute care for patients co-morbid with behavioral health issues.

9. C. 224 REQUIRES PROVIDERS TO PROVIDE PATIENTS WITH REQUESTED PRICE INFORMATION. PLEASE DESCRIBE YOUR ORGANIZATION'S PROGRESS IN THIS AREA, INCLUDING THE NUMBER OF INDIVIDUALS THAT SEEK THIS INFORMATION AND IDENTIFY THE TOP TEN ADMISSIONS, PROCEDURES AND SERVICES ABOUT WHICH INDIVIDUALS HAVE REQUESTED PRICE INFORMATION. ADDITIONALLY, PLEASE DISCUSS HOW PATIENTS USE THIS INFORMATION, ANY ANALYSES YOU HAVE CONDUCTED TO ASSESS THE ACCURACY OF ESTIMATES PROVIDED, AND/OR ANY QUALITATIVE OBSERVATIONS OF THE VALUE OF THIS INCREASED PRICE TRANSPARENCY FOR PATIENTS.

RESPONSE

No additional comments beyond those provided in the Lahey Health System, Inc. and Subsidiaries response.

10. PLEASE DESCRIBE THE MANNER AND EXTENT TO WHICH TIERED AND LIMITED NETWORK PRODUCTS AFFECT YOUR ORGANIZATION, INCLUDING BUT NOT LIMITED TO ANY EFFECTS ON CONTRACTING AND/OR REFERRAL PRACTICES, AND ATTACH ANY ANALYSES YOUR ORGANIZATION HAS CONDUCTED ON THIS ISSUE. DESCRIBE ANY ACTIONS YOUR ORGANIZATION TAKEN IN RESPONSE TO TIER PLACEMENT AND ANY IMPACTS ON VOLUME YOU HAVE EXPERIENCED BASED ON TIER PLACEMENT.

RESPONSE

Not applicable to BayRidge or no additional comments beyond those provided in the Lahey Health System, Inc. and Subsidiaries response.

11. THE COMMISSION HAS IDENTIFIED THAT SPENDING FOR PATIENTS WITH COMORBID BEHAVIORAL HEALTH AND CHRONIC MEDICAL CONDITIONS IS 2-2.5 TIMES AS HIGH AS SPENDING FOR PATIENTS WITH A CHRONIC MEDICAL CONDITION BUT NO BEHAVIORAL HEALTH CONDITION. AS REPORTED IN THE JULY 2014 COST TRENDS REPORT SUPPLEMENT, HIGHER SPENDING FOR PATIENTS WITH BEHAVIORAL HEALTH CONDITIONS IS CONCENTRATED IN EMERGENCY DEPARTMENTS AND INPATIENT CARE.

RESPONSE

The response provided in the Lahey Health System, Inc. and Subsidiaries response effectively encompasses BayRidge Hospital's perspective and documents efforts underway with regard to this topic.

a) Please describe ways that your organization is collaborating with other providers to integrate physical and behavioral health care services and provide care across a continuum to these high-cost, high-risk patients.

b) Please discuss ways that your organization is addressing the needs of individuals to avoid unnecessary utilization of emergency room departments and psychiatric inpatient care.

c) Please discuss successes and challenges your organization has experienced in providing care for these patients, including how to overcome any barriers to integration of services.

d) Please describe your organization's willingness and ability to report discharge data.

12. DESCRIBE YOUR ORGANIZATION'S EFFORTS AND EXPERIENCE WITH IMPLEMENTATION OF PATIENT- CENTERED MEDICAL HOME (PCMH) MODEL.

RESPONSE

From a broader Lahey Health Behavioral Health Services perspective, and as documented in the Lahey Health System, Inc. and Subsidiaries response, the major initiative underway related to advancing the patient-centeredness of primary care models relates to embedding behavioral health professionals into the primary care setting. We do not believe there is anything material to add specifically from the perspective of BayRidge Hospital.

a) What percentage of your organization's primary care providers (PCPs) or other providers are in practices that are recognized or accredited as PCMHs by one or more national organizations?

b) What percentage of your organization's primary care patients receives care from those PCPs or other providers?

c) Please discuss the results of any analyses your organization has conducted on the impact of PCMH recognition or accreditation, including on outcomes, quality, and costs of care.

13. AFTER REVIEWING THE COMMISSION'S 2013 COST TRENDS REPORT AND THE JULY 2014 SUPPLEMENT TO THAT REPORT, PROVIDE ANY COMMENTARY ON THE FINDINGS PRESENTED IN LIGHT OF YOUR ORGANIZATION'S EXPERIENCES.

RESPONSE

No additional comments beyond those provided in the Lahey Health System, Inc. and Subsidiaries response.

Bayridge Hospital (a component of Beverly Hospital)
Attachment A - 1 a Financial and Utilization Trends

(Nearest 000)	Fiscal Year ended 9/30/10	Fiscal Year ended 9/30/11	Fiscal Year ended 9/30/12	Fiscal Year ended 9/30/13	Year to Date 4/30/13	Year to Date 4/30/14
Operating Revenues	20,514	21,071	20,392	20,575	11,959	12,089
Operating expenses (1)	19,193	19,172	19,461	19,554	11,387	11,420
Contribution Margin	1,321	1,898	930	1,021	571	670
YOY - % chg. In Rev		2.7%	-3.2%	0.9%		1.1%
YOY - % chg. In Exp		-0.1%	1.5%	0.5%		0.3%
Patient Days	21,208	20,894	20,928	20,926	12,169	12,271
YOY - % chg. In Vol		-1.5%	0.2%	0.0%		0.8%