**MINUTES OF THE COST TRENDS AND MARKET PERFORMANCE COMMITTEE**

**Meeting of February 27, 2013**

**MASSACHUSETTS HEALTH POLICY COMMISSION**

**The COST TRENDS AND MARKET PERFORMANCE committee of THE**

**Massachusetts Health Policy Commission**

**Center for Health Information and Analysis**

**2 Boylston Street, 5th Floor**

**Boston, MA 02116**

**Docket: Wednesday, February 27, 2013, 10:00 AM – 12:00 PM**

**PROCEEDINGS**

The first meeting of the Massachusetts Health Policy Commission’s Cost Trends and Market Performance Committee was held on Wednesday, February 27, 2013 at the Center for Health Information and Analysis located at 2 Boylston St, 5th Floor, Boston, MA.

Committee members present were David Cutler, Paul Hattis, Wendy Everett, Rick Lord, and Candace Reddy as designee for Glen Shor, Secretary, Executive Office of Administration and Finance.

No members were absent. Stuart Altman, Chair, Health Policy Commission, was present.

Mr. Cutler called the meeting to order at 10:00 AM. Each of the committee members introduced themselves, as did Executive Director David Seltz and other Health Policy Commission staff.

**ITEM 1: CHAIR ELECTION**

Dr. Hattis nominated Mr. David Cutler to be the chair. Committee members voted unanimously to support Mr. Cutler as chair.

**ITEM 2: REVIEW OF COMMITTEE RESPONSIBILITIES**

Mr. Seltz provided an overview of the committee’s responsibilities. The committee's first responsibility is establishing the annual health care cost growth benchmark for total health care expenditures. This measurement will be based on potential economic growth, which is also known as Potential Gross State Product or PGSP. Chapter 224 of the Acts of 2012 sets PGSP at 3.6% for calendar year 2013. On an annual basis, the Executive Office on Administration and Finance, the Senate Committee on Ways and Means Committee, and the House Committee on Ways and Means will set the annual PGSP. For calendar year 2013, they have set the PGSP at 3.6%. After PGSP is set, the commission will create the benchmark. Specifically, Chapter 224 requires that the benchmark will equal PGSP for first five years. After those five years, commission will have flexibility to set a benchmark that may be below PGSP by up to 0.5%. The benchmark will measure all health expenses including those made by public payers.

Ms. Reddy asked about the difference between Total Medical Expense (TME) and Total Health Care Expenditures (THE), of which the latter is being measured against the benchmark. Mr. Seltz responded by saying that TME is a measurement of price times utilization from a provider prospective and that THE will include consumer cost share such as co-pays and deductibles. Dr. Hattis then asked if THE will include other expenses such as dental care or plastic surgery, which are traditionally paid out of pocket. Chair Cutler believed that it would. The discussion of what constitutes THE continued among the commissioners.

Mr. Seltz continued the outline by presenting the second responsibility, to conduct annual cost trend hearings. He stated that the HPC will work with the Center for Health Information and Analysis (CHIA) and the Attorney General’s office to conduct these hearings.

Mr. Seltz then described the third responsibility, to oversee cost and market impact reviews related to notices of material change. He mentioned that the HPC will look at material changes in the areas of governance structures, operations, or ownership.

The final responsibility, as outlined by Mr. Seltz, is overseeing Performance Improvement Plans ("PIPs"). The PIPs are delayed with a transition period between now and 2015. The HPC’s role is to evaluate certain health care entities by asking them to develop a plan to improve their performance in meeting the cost growth benchmark. Mr. Lord asked when the timeframe for asking health care entities to create PIPs begins. Mr. Seltz responded that it starts in 2015, when a health care entity may be evaluated against the benchmark.

Chair Cutler commented that the last issue, while important, is not immediate and that the first two issues are similar in their requirements for data and analysis.

**ITEM 3: PROPOSED OUTLINE FOR COST TRENDS REPORT**

Mr. Sahni, HPC Policy Director for Cost Trends and Special Projects, outlined the cost trends report by reading the report's charge in Chapter 224. Section 1 will create baseline calculations and information that identifies a subset of already identifiable cost drivers such as price, quantity, and payer mix. Mr. Sahni noted the biggest challenge for the first year is not being able to determine every cost driver and identifying other potential cost drivers. These newly identified potential cost drivers will comprise Section 2. Once these potential drivers are determined, the HPC will conduct an in-depth review and create policy recommendations. Section 3 will discuss short-term and long-term findings. In future years, this report will review Section 2 questions from previous years that were not incorporated in the first section as a baseline measure.

Chair Cutler, Dr. Hattis, and Mr. Seltz discussed the possibility of releasing data on a quarterly basis.

Ms. Everett then asked if the information would include a look at events that may have significant material effect on prices or service mix. Mr. Sahni responded that external forces would be a part of the report. Chair Altman commented that this report will not be conducted in a vacuum and highlighted the work that the former Division of Health Care Finance and Policy completed on developing trends as it related to these types of events.

Chair Cutler and Mr. Sahni discussed available data resources, with Mr. Seltz adding that information available in any year's report will be based on the previous year's data due to natural delays in reimbursement claims processing.

**ITEM 4: TIMELINE FOR COST TRENDS REPORT**

Mr. Sahni stated that the deadline for the report is December 31, 2013, noting that it will take about three months to gather data and better understand what the APCD can provide. Mr. Sahni stated that CHIA will release its report on September 1, with the HPC conducting its hearing by October 1, followed by work on the report for the December deadline.

Chair Cutler commented on the need for a working group of people from industry with intimate knowledge of the data, noting that the HPC needs a working relationship between the HPC and the payer/provider industry.

Dr. Hattis questioned the ability to get data to compare Massachusetts to the rest of the country, adding that the HPC should review data from both public and private payers. Mr. Sahni responded that Section 1 would have national comparisons and would look to achieve an apples-to-apples comparison. Chair Altman agreed with Dr. Hattis’s statements on the need to compare Massachusetts with other states. Chair Cutler, Ms. Everett, Dr. Hattis, and Mr. Seltz discussed coordination with other state agencies, the HPC’s advisory council, and industry stakeholders.

Chair Cutler opened the meeting up to public questions.

Melissa Shannon, of Boston Children's Hospital, asked about the regulatory process and Gloria Craven, representing Fresenius Medical Care and the Massachusetts Coalition of Nurse Practitioners, asked that the HPC review providers by licensee type and not size.

Chair Altman noted that CHIA’s role is to collect data, while the HPC’s role is to monitor and analyze the trend line and make recommendations. He stated that the HPC is the policy arm of the state, and warned about having too high expectations regarding data collection or the HPC’s mission.

**ITEM 5: UPDATE ON MATERIAL CHANGES INTERIM GUIDANCE**

Ms. Johnson stated that effective January 1, 2013, any provider or provider organization must begin submit notices of material change. She outlined the program as one where the HPC would collect information, and then determine if the change would have a significant effect on the market. The HPC staff is working on developing interim guidance because of the time lag between the effective date and today. She stated that the staff has been in conversations with other state agencies to know what similar governmental functions exist in those agencies. She noted that the HCP is mindful that this is a transition process and highlighted the goal of minimizing administrative hassles.

Ms. Reddy asked if the guidance will need to be approved by the full commission. Ms. Johnson responded that the regulations will adhere to full 30A regulatory process, but staff will offer interim guidance, which is subregulatory, and does require the commission’s approval.

Mr. Lord commented that some mergers or acquisitions have been announced in the prior year, inquiring whether transactions that did not close before the beginning of this year are on hold until the HPC issues guidance or regulations. Ms. Johnson stated that under statute, any transaction that has not been finalized by January 1 may be subject to a review.

Chair Altman remarked that the HPC wants to see transactions that result in better coordination leading to meeting the growth benchmark, and believes that the HPC’s role is to shine a light on all these transactions with the agency’s limited resources. Dr. Hattis agreed with how the charge is framed.

Chair Cutler, Chair Altman, and Dr. Hattis discussed the full commission vote on the interim guidance.

Dr. Hattis, Chair Altman, Dr. Hattis, and Dr. Everett discussed the commission’s ability to conduct reviews and issue reports. Ms. Everett noted that the report could be referred to the Attorney General. Mr. Seltz commented that even without an official referral, the document is a public record and the Attorney General could take action.

Ms. Reddy echoed Chair Altman’s belief that this issue needs to be presented to the full commission. She noted that the commission will need to think about the threshold and other important pieces that require big decisions.

Chair Cutler commented that a colleague, formerly of the Department of Justice, believed in the value of these technical reports and that they have a significant impact even if the reports themselves do not result in administrative actions.

Mr. Seltz stated that the purpose of the interim guidance is to provide some temporary clarity. He noted that industry has pleaded with the HPC to release such guidance. He also mentioned that there is a parallel process in creating regulations and that process will include proposed regulations to the commission, a public hearing, and a final vote on the regulations. Ms. Johnson noted that the material change notice process is in a transition period and believed that there will be adjustments and changes during this period. She stated that this is the balance between a full regulatory process and wanting to get information released immediately.

**ITEM 6: AGENDA FOR NEXT COMMITTEE MEETING**

Chair Cutler stated that he will follow up with staff on material change notices to prepare them for the full commission. Mr. Sahni joined the discussion noting that he would provide an update on the data situation.

**ITEM 7: PUBLIC COMMENT**

Pat Gray, a consumer representing herself, stated that she applauded the work and deliberation of the committee as it is taking the time to make sure the data is authentic and has a solid foundation. She believed that the media attention to reports that premiums are going up is misleading and detrimental to consumers. Chair Cutler agreed and reiterated his belief that that there should be more reporting periods of data by the HPC. Dr. Hattis agreed that quarterly reporting would be beneficial. Mr. Seltz commented that it is important to recognize that total health expenditure growth is not reflective of premium growth.

Eric Linzer, of the Massachusetts Association of Health Plans, stated that they are strong supporters of the HPC and CHIA reports. He mentioned that if the HPC wants additional data from carriers it would be beneficial to set up the working group meetings as soon as possible.

Chair Altman then reinforced Mr. Seltz’s comment, noting that more information is laudable, but warning that more information in bits and pieces may distort reality. Chair Altman stressed that timeliness and accuracy are the most important things for this process.

**ITEM 8: CLOSING**

Chair Cutler saw no more people wishing to comment and adjourned the meeting at 11:35am.