

September 8, 2014

Health Policy Commission
Attn: David Seltz
Two Boylston Street
Boston, MA 02116

Dear Mr. Seltz:

Introduction

I am pleased to submit the following testimony in response to your August 1, 2014 letter addressed to our Medical Director.

By way of background, AdCare Hospital is a provider of treatment related to alcohol and drug abuse disorders. AdCare Hospital is licensed by the Department of Public Health Division of Health Care Quality and also holds Certificates of Approval to provide substance abuse services from the Massachusetts Department of Public Health Bureau of Substance Abuse Services. AdCare Hospital is both Medicare and Medicaid certified. AdCare Hospital is accredited by the Joint Commission. AdCare Hospital includes a 114 bed inpatient hospital located in Worcester, MA. AdCare Hospital also provides outpatient treatment at its outpatient locations in Worcester, Boston, Quincy, North Dartmouth, West Springfield, and Warwick, RI. AdCare Hospital admits approximately 6,000 inpatients per year.

The following are the responses requested in Exhibit B of the correspondence we received from you.

- 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 CY2012-CY2013 and CY2013—CY2014 is 3.6%.**
 - 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.**

There is significant demand for addiction treatment services in the Commonwealth. AdCare Hospital inpatient services have generally been operating at capacity since 2010. As such, its inpatient utilization has not experienced any significant increases. AdCare Hospital's outpatient services have increased since 2010 as AdCare Hospital is able to increase staff to meet increased demand. AdCare Hospital has managed its operating expenses as effectively as possible. Data below for 2014 is projected.

	2010	2011	2012	2013	2014 – 10 Months	2014 – Annualized
Inpatient Admissions	6048	6123	6158	6290	5178	6214
Inpatient Days	36,349	36,880	37,593	36,992	31,027	37,232
Outpatient Units	88,315	93,252	103,829	108,358	97,089	116,507
% increase in NPSR		2.91%	11.74%	1.74%		3.53%
% increase in operating expense		2.28%	11.95%	-0.48%		3.20%

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?

AdCare Hospital aggressively manages expenses in an effort to provide quality services in as efficient a manner as possible. AdCare Hospital completes an annual operating budget that includes a line item review of all costs in all departments. AdCare Hospital undertakes efforts to negotiate contracts that are as favorable as possible with its vendors. AdCare Hospital reviews the compensation paid to its employees to assure it is fair to its employees but does not create unnecessary costs for the facility.

Operating expenses are projected to be increased by 3.20% in 2014, 0.4% less than the benchmark for growth.

c) What actions does your organization plan to undertake between now and October 1, 2015 (including but not limited to innovative care delivery approaches, use of technology and error reduction) to ensure the Commonwealth will meet the benchmark?

AdCare Hospital intends to implement a certified electronic medical record (EMR) system throughout its outpatient satellites during 2015. It is hoped that this will create efficiencies within that system. AdCare continues to be a meaningful user of EMR technology since its inpatient implementation of April 2012.

AdCare Hospital intends to collaborate with payers on alternative payment methods based on payers' interest in doing so.

AdCare Hospital firmly believes that collaboration amongst providers will be necessary to ensure the Commonwealth is able to meet its benchmark. To that end, AdCare Hospital joined the newly created Massachusetts Hospital Association's 'substance abuse task force', designed for meaningful collaboration among the state-wide collective. AdCare Hospital continues to be an active member of the Massachusetts Association of Behavioral Health Systems.

As in previous years, AdCare Hospital will manage its budget to the greatest extent it is able to without a negative impact to patient care.

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

Standardization amongst insurance payers and reduced administrative requirements related to a variety of matters would help our facility operate more efficiently without reducing quality. For example, licensed clinicians must be credentialed separately by most payers who all have unique credentialing processes. Similarly, most payers require site visits to locations even though the sites have been approved by state agencies to provide services.

2. C. 224 requires health plans to reduce the use of fee-for-service payment mechanisms to maximum extent feasible in order to promote high-quality, efficient care delivery.

a) How have alternative payment methods (APMs) (payments used by a payer to reimburse health care providers that are not solely based on fee-for-service basis, e.g., global budget, limited budget, bundled payment, and other non-fee-for-service models, but not including pay-for-performance incentives accompanying fee-for-service payments) affected your organization's overall quality performance, care delivery practices, referral patterns, and operations?

AdCare Hospital has offered to some payers the opportunity to contract for services on an episode of payment or DRG methodology as opposed to a traditional fee for service methodology. AdCare Hospital has found at this point that third party payers generally prefer to pay for services provided by the hospital on a fee for service basis. One of the 'One Care' vendors agreed to DRG-based Agreement.

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 burden).

As stated above, payers have expressed little interest in utilizing APMs for services provided by AdCare Hospital. As such, resources have not been utilized to conduct analyses regarding implementation of the same.

c) 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.

See response 2b.

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.

- a) **In your organizations experience, do health status risk adjustment measures sufficiently account for changes in patient population acuity, including in particular sub-populations (e.g., pediatric) or those with behavioral health conditions?**

As stated above, payers have expressed little interest in utilizing APMs for services provided by AdCare Hospital. As such, AdCare Hospital has no opinion on the sufficiency of health status risk adjustment measures.

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

See response 3a.

- 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?**

See response 3a.

4. A theme heard repeatedly at the 2013 Annual Cost Trends Hearing was the need for more timely, reliable, and actionable data and information to facilitate high-value care and performance under APMs. What types of data are or would be most valuable to your organization in this regard? 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.

AdCare Hospital believes there is still a lack of understanding of the disease of addiction and its treatment amongst those in the general medical field and amongst payers. As a result, there is a general lack of actionable data showing reduced overall costs associated with patients who actively participate in and remain engaged with behavioral health providers. AdCare Hospital believes that if more resources were directed toward behavioral health services there would be a decrease in overall medical spending. AdCare Hospital believes data demonstrating the overall reduction in medical spending would be beneficial in developing appropriate APMs.

5. C.224 requires health plans to attribute all members to a primary care provider, to the maximum extent feasible.

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

AdCare Hospital does not know what attribution methodologies are utilized by its payers.

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

As a specialty provider, AdCare Hospital does not have expertise in this area and as such has no suggestions at this time.

- 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.**

Reporting of quality measures to public and private payers requires a relatively small amount of time. Due to the unique nature of the facility, there is limited benefit associated with reporting quality measures as most measures seem geared toward pure medical or pure psychiatric issues as opposed to substance abuse.

- 7. An issue addressed both at the 2013 Annual Trend Cost 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.**

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

Due to great need for addiction services, AdCare Hospital has continued to operate at its inpatient capacity. AdCare Hospital serves as a resource to and receives referrals from community hospitals as well as AMCs around the Commonwealth. Although AdCare Hospital maintains logs related to transfers of patients out of the facility, it has no specific analyses of the flow of patients to AMCs or other high 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.**

AdCare Hospital is not an AMC and is a lower cost provider. As stated above, AdCare Hospital receives referrals from higher cost settings on a regular basis.

- 8. The commission found in its July 2014 Costs 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.**

- a) **Please describe and attach any analyses your organization has conducted regarding levels of 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.**

AdCare Hospital discharges all patients with a plan for care following the inpatient admission. The plan is developed based on patient placement criteria. As stated in previous responses, AdCare Hospital firmly believes that patients that remain engaged with behavioral health providers cost the overall health care system less than those that do not. Unfortunately, “no shows” for ambulatory behavioral health services are very common.

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

AdCare Hospital’s aftercare plans are developed based on criteria in collaboration with patients and payers. Goal-oriented treatment plans engender patients to remain engaged in behavioral health treatment services with the anticipation of reduction in overall costs.

9. **C.224 requires providers to provide patients and prospective patients with requested price for admissions, procedures, and services. Please describe your organization’s progress in this area, including available data regarding the number of individuals that seek this information (using the template below) and identify the top ten admissions, procedures and services about which individuals have requested this 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.**

AdCare Hospital explains to each patient their financial obligation associated with treatment services. All AdCare Hospital inpatients are admitted for a substance dependence diagnosis and generally have a detoxification procedure code. AdCare Hospital staff includes a financial counselor that meets with inpatients to assist in understanding the financial aspects of their treatment episodes and answer any questions that they may have. In addition, the financial counselor assists outpatients with the same. AdCare Hospital provides detailed statements of account to all patients upon request. On average, the financial counselor meets with five inpatients per day and replies to five outpatient calls per day.

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 (e.g., pricing changes) in response to tier placement and any impacts on volume you have experienced based on tier placement.**

AdCare Hospital remains a lower cost alternative to general medical/ surgical units and psychiatric hospitals. As AdCare Hospital is a specialty provider, tiering or limiting of networks has not had a negative impact on the hospital's ability to contract with payers.

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 reports in the July 2014 Cost Trends Report Supplement, higher spending for patient' with behavioral health conditions is concentrated in emergency departments and inpatient care.

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

AdCare Hospital firmly believes that providing substance abuse services to those in need promotes health and reduces overall health care costs for affected patients. AdCare Hospital's patients have significant concomitant medical and psychiatric diagnoses. AdCare Hospital believes its patients are significantly more likely to manage their concomitant diagnoses in more cost efficient ways if they have received appropriate substance abuse treatment and are adhering to a recovery based lifestyle. Too often, people with substance use diagnoses that do not engage in treatment and recovery end up ignoring their physical health needs until they become emergent and more expensive for the overall health care system.

AdCare Hospital continuously supports activities that promote the integration of behavioral and physical health. Some examples include:

AdCare Hospital, through its community service representatives, continuously provides training and education to area hospitals and primary care physicians to assist them in recognizing, managing, and appropriately referring patients for specialized substance abuse treatment when necessary.

AdCare Hospital collaborates with and accepts inpatient and outpatient referrals from acute and non-acute physical health providers throughout the Commonwealth to assist them in managing their patients with substance use disorders.

AdCare Hospital had multiple meetings with area general hospitals to discuss addiction services and other behavioral health needs of the region that could be met collaboratively.

AdCare Hospital believes there are significant opportunities for cost efficient care if outpatient counselors could go to other physical locations to provide substance abuse individual and group counseling services.

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

All AdCare Hospital's aftercare plans are developed based on criteria in collaboration with patients and payers. Goal-oriented treatment plans engender patients to remain engaged in behavioral health treatment services with the anticipation of reduction in unnecessary utilization of emergency departments and inpatient care. If in crisis, urgent appointments are available for existing outpatients needing ambulatory stabilization. In addition, outpatient satellites offer 'open access' where new patients can be assessed on the same day that they call for an appointment and immediately engaged in treatment.

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.

AdCare Hospital recognizes that parity laws have been passed at both the state and federal level. Nevertheless, significant stigma still surrounds the disease of addiction and the treatment related thereto. Even with parity, the application of medical necessity criteria by many managed care organizations is too stringent often leaving those in need of treatment without the ability to access appropriate levels of addiction treatment. Continued efforts are needed to assure those in need of treatment are able to access care in the same manner they can for their physical health needs. AdCare Hospital believes the 'Act to Increase Opportunities for Long-term Substance Abuse Recovery' recently signed into law will enhance patients' ability to access appropriate treatment and will reduce overall health costs for many patients.

With regard to outpatient counselors providing individual or group counseling services at other locations (i.e. group homes, shelters, physician practice locations), AdCare Hospital is unable to do so from a regulatory and a payment perspective. AdCare Hospital's licenses and certifications only permit our services to be provided at the licensed locations. Further, third party payers only allow reimbursement for services provided at credentialed locations.

d) There has been increased statewide interest in data reporting across all services, inclusive of behavioral health. Please describe your organization's willingness and ability to report discharge data.

AdCare Hospital would be willing to provide data if the burden to collect said data was not overly burdensome and the data was likely to produce useful information. AdCare Hospital believes providers should be involved in establishing the data to be collected. Provider involvement could be accomplished through state associations like the Massachusetts Hospital Association and the Massachusetts Association of Behavioral Health Systems.

12. Describe your organization's efforts and experience with implementation of patient-centered medical homes (PCMH) model.

AdCare Hospital has not had experience with the PCMH model. AdCare Hospital is interested in exploring the PCMH model for patients with substance use disorders but has not been able to allocate the resources to evaluate and implement any PCMH plan at this time.

- e) What percentage of your organizations primary care providers (PCPs) or other providers are in practices that are recognized or accredited as PCMHs by one or more national organizations?**

AdCare Hospital is a specialty provider. Its providers are not affiliated with PCMHs.

- f) What percentage of your organizations primary care patients received care from those PCPs or other providers?**

See response 11e.

- g) 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.**

See response 11e. No analyses have been conducted at this time

13. After reviewing the Commission's 2013 Cost Trends Report and the July 2014 Supplement to that report, please provide any commentary on the findings presented in light of your organization's experience.

AdCare Hospital has no commentary at this time.

The above stated testimony is signed below by a signatory that is legally authorized and empowered to represent AdCare Hospital of Worcester, Inc. for the purposes of this testimony.

If you have further questions, please do not hesitate to contact me directly at 508-799-9000 ext. 3123.

Very truly yours,

Electronically Signed

Jeffrey W. Hillis, Esq.
President

Signed under the pains and penalties of perjury