

# Cost Trends and Market Performance

Health Policy Commission

Committee Meeting

August 6, 2014



# Agenda

- Approval of the Minutes from the June 4, 2014 Meeting
- Discussion of Cost Trends Reports
- Advancing Proposed Regulation on Notices of Material Change
- Schedule of Next Committee Meeting (October 2014)

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## Vote: Approving Minutes

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**Motion:** That the Cost Trends and Market Performance Committee hereby approves the minutes of the Committee meeting held on June 4, 2014, as presented.

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# Statutory Mandate for the Annual Cost Trends Report

## Section 8g of Chapter 224 of the Acts of 2012

A

B

The commission shall compile an annual report concerning spending trends and underlying factors, along with any recommendations for strategies to increase the efficiency of the health care system. The report shall be based on the commission's analysis of information provided at the hearings by providers, provider organizations and insurers, registration data collected under section 11, data collected by the center for health information and analysis under sections 8, 9 and 10 of chapter 12C and any other information the commission considers necessary to fulfill its duties under this section, as further defined in regulations promulgated by the commission. The report shall be submitted to the chairs of the house and senate committees on ways and means and the chairs of the joint committee on health care financing and shall be published and available to the public not later than December 31 of each year. The report shall include any legislative language necessary to implement the recommendations.

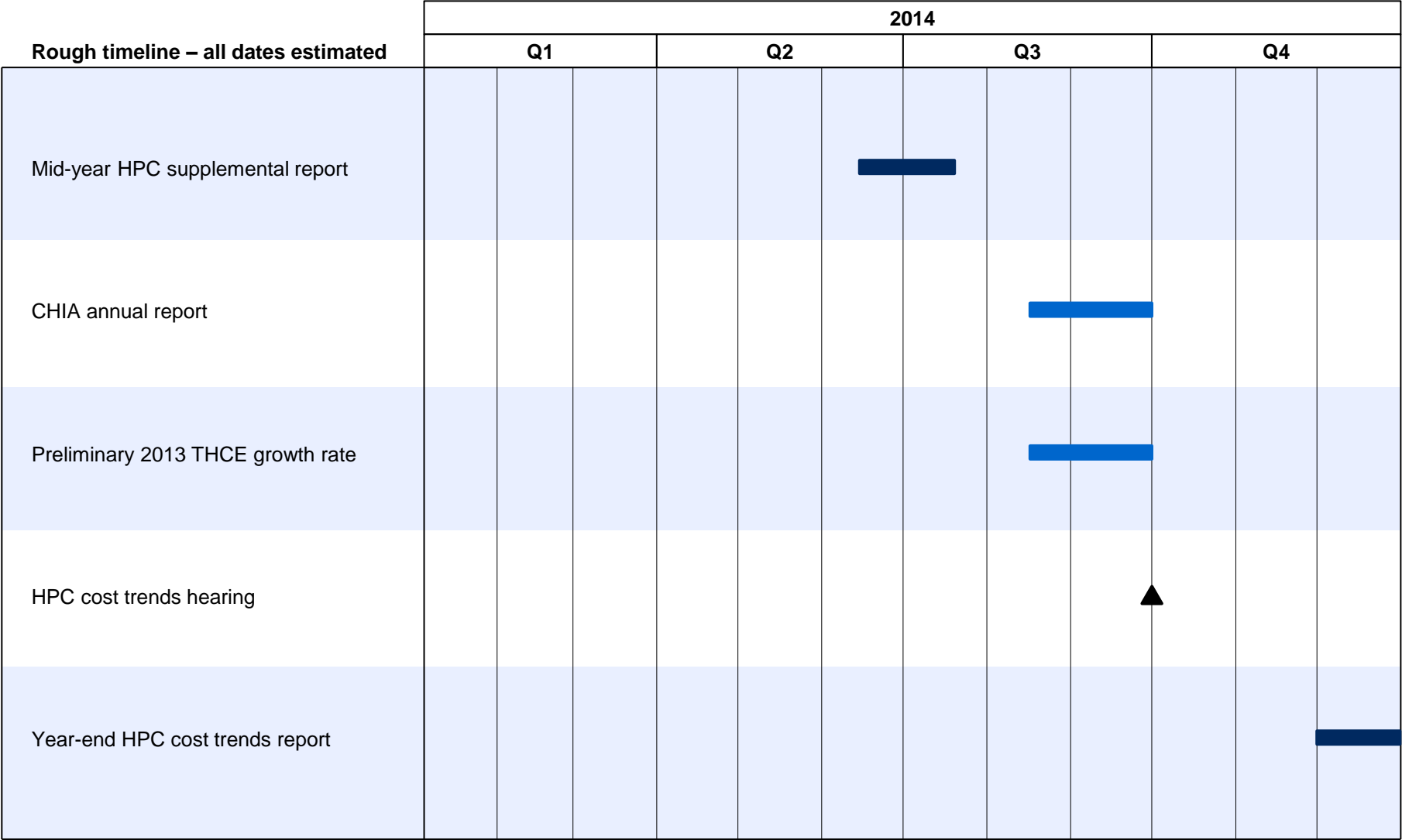
### Required outputs

- A. Concerning spending trends and underlying factors
- B. Recommendations for strategies to increase efficiency
- C. Legislative language necessary to implement recommendations

### Data inputs

- 1. Hearings
- 2. Registration data
- 3. CHIA data
- 4. Any other information necessary to fulfill duties

# Major Milestones for Cost Trends Work: Second Half of 2014



# Recommendations from July Report and HPC's Plans to Address Them

Recommendations in July 2014 Cost Trends Supplement	HPC plans for remainder of 2014
Value-based market	<ul style="list-style-type: none"> <li>• <b>HPC</b> will study impact of new insurance products and increased cost-sharing</li> <li>• If <b>providers</b> grow, they should pursue lower cost settings</li> <li>• <b>HPC</b> will examine flows to AMCs and identify policy solutions</li> </ul>
Efficient, high-quality, patient centered delivery system	<ul style="list-style-type: none"> <li>• <b>Hospitals</b> should work to optimize PAC, including care coordination and transitions for BH patients</li> <li>• Where applicable. <b>HPC</b> will support via CHART</li> <li>• <b>Payers and providers</b> should continue to pursue BH integration</li> <li>• <b>HPC</b> will support via its certification programs</li> </ul>
Advancing APMs	<ul style="list-style-type: none"> <li>• <b>HPC</b> will study APMs to evaluate effectiveness and identify opportunities for improvement</li> <li>• <b>Payers</b> should review, improve, and align attribution</li> <li>• <b>HPC</b> will explore opportunities to accelerate progress</li> </ul>
Transparency and data	<ul style="list-style-type: none"> <li>• <b>CHIA</b> should convene state agencies to strengthen transparency, data, and measurement for behavioral health</li> <li>• <b>CHIA</b> should extend TME measurement to PPO populations, using an agreed-upon method for attribution</li> <li>• <b>HPC</b> will seek to work with CHIA to design measures of contribution to spending growth for additional provider types</li> </ul>



# Potential Topics for 2014 Cost Trends Research

<b>Health Care Cost Growth Benchmark and Current Trends</b>	<ul style="list-style-type: none"><li>• Overview of past year's performance</li><li>• Current trends in spending, care delivery, and insurance markets<ul style="list-style-type: none"><li>– Includes out-of-pocket spending</li></ul></li></ul>
<b>Delivery System</b>	<ul style="list-style-type: none"><li>• Market structure<ul style="list-style-type: none"><li>– May include markets for primary care</li></ul></li><li>• Episode-based analysis</li><li>• Key opportunities - may includes PAC and BH</li></ul>
<b>Insurance Markets</b>	<ul style="list-style-type: none"><li>• New insurance products<ul style="list-style-type: none"><li>– May include price transparency tools</li></ul></li><li>• Alternate payment methods &amp; attribution</li></ul>
<b>Special studies of opportunities to increase efficiency and value</b>	<ul style="list-style-type: none"><li>• High cost patients</li><li>• Efficiency in utilization and operations</li></ul>
<b>Commitment to transparency, accountability and measurement</b>	<ul style="list-style-type: none"><li>• Expenditure measures for hospitals and specialists</li><li>• Information needs – providers, consumers, health policy community</li></ul>

*These topics will be emphasized in the 2014 Cost Trends Hearing and the 2014 Cost Trends Report. Report outline may organize topics differently.*

COMMONWEALTH OF MASSACHUSETTS  
HEALTH POLICY COMMISSION

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# 2014 Health Care Cost Trends Hearing

An annual public examination of health care cost trends and drivers, featuring witness testimony and discussion with national experts on the challenges and opportunities within the Commonwealth's health care system.

October 6 & 7, 2014

Suffolk University Law School

120 Tremont Street, Boston, MA



The 2014 hearing will examine cost trends for public and commercial payers as well as hospitals and other providers. For the first time, the hearing will focus on the state's performance under the health care cost growth benchmark.

The HPC will hold the hearings in conjunction with the Center for Health Information and Analysis and the Office of the Attorney General.

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- **Advancing Proposed Regulation on Notices of Material Change**
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# Regulation 958 CMR 7.00

## 958 CMR: HEALTH POLICY COMMISSION

### 958 CMR 7.00: NOTICES OF MATERIAL CHANGE AND COST AND MARKET IMPACT REVIEWS

#### Section

- 7.01: General Provisions
- 7.02: Definitions
- 7.03: Requirement to File a Notice of Material Change; Timing of Filing
- 7.04: Filing a Notice of Material Change; Completed Notice
- 7.05: Notice of Cost and Market Impact Review
- 7.06: Factors Considered in a Cost and Market Impact Review
- 7.07: Information Requests to Providers and Provider Organizations; Timing
- 7.08: Information Requests to Other Market Participants; Timing
- 7.09: Confidentiality
- 7.10: Preliminary Report
- 7.11: Written Response by Provider or Provider Organization; Certification of Truth
- 7.12: Final Report
- 7.13: Referral to the Office of the Attorney General
- 7.14: Severability

# Agenda

- Approval of the Minutes from the June 4, 2014 Meeting
- Discussion of Cost Trends Reports
- Advancing Proposed Regulation on Notices of Material Change
  - **Proposed Definitions for Notices of Material Change (MCNs)**
  - Process for MCNs and Cost and Market Impact Reviews (CMIRs)
  - Definition of Material Change
  - Vote and Next Steps
- Schedule of Next Committee Meeting (October 2014)

# Proposed Definitions for Notices of Material Change (MCNs): 958 CMR. 7.02

Examples of Definitions in the Regulation
Hospital, Provider, and Provider Organization
Payer and Carrier
Primary Service Area and Dispersed Service Area
Materially Higher Price and Materially Higher TME
Dominant Market Share

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# Process for MCNs and Cost and Market Impact Reviews (CMIRs): MCNs (958 CMR 7.03 and 7.04)

Who Needs to File?
Any Provider or Provider Organization with \$25 million or more in Net Patient Service Revenue
What is the Timing of Filing?
Not fewer than 60 calendar days before the proposed effective date of the material change
When is a Notice Complete?
After the filing of a completed Notice of Material Change form and submission of information requested by the Commission



# Process for MCNs and Cost and Market Impact Reviews (CMIRs): CMIRs (958 CMR 7.05 to 7.09)

Notice of a CMIR
The Commission shall inform a Provider or Provider Organization (PO) of any determination to initiate a CMIR within 30 days of its receipt of a completed MCN.
Statutory Factors Considered in a CMIR
M.G.L. c. 6D, § 13 (d) lists 12 factors the Commission may examine, including but not limited to factors affecting cost, quality, and access, and any other factors in the public interest.
Information Requests and Timing
The Provider or PO must provide information requested by the Commission within 21 days, or by a later date as agreed to by the Commission (which may affect timing of the Final Report). Other market participants must also provide information within 21 days of the Commission’s request.
Confidentiality
The Commission shall keep confidential all nonpublic information and documents obtained in connection with a Notice of Material Change or a Cost and Market Impact Review and shall not disclose them without consent, except in a Preliminary Report or Final Report if the Commission believes that such disclosure should be made in the public interest.

# Process for MCNs and Cost and Market Impact Reviews (CMIRs): CMIRs (958 CMR 7.10 to 7.13)

## Preliminary Report and Written Response

The Commission shall issue a Preliminary Report, and the Provider or PO may respond in writing within 30 days.

## Final Report

The Commission shall issue a Final Report within 185 days of the completed MCN, provided that the Provider or PO timely responded to the Commission’s information request(s).

## Referral to the Attorney General

The Commission shall refer a Final Report to the Office of the Attorney General on any Provider Organization that has Dominant Market Share, Materially Higher Price, and Materially Higher Health Status Adjusted Total Medical Expenses. The Commission may also refer a Final Report to the Office of the Attorney General in other circumstances as appropriate.

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# Definition of Material Change

## Questions:

1. What would be the HPC's optimal role (if any) in evaluating the closure of health care facilities and services? Are there gaps in current review of such closures?
2. Would such a role be effectively fulfilled by defining closures of facilities/services, by themselves, as Material Changes?

## Recommended Approach:

- Licensed health care facilities are required to report changes/closures of essential services to DPH, with subsequent statutory review for safety, access, and legality by DPH and AGO. In general, neither DPH nor AGO has the authority to prohibit a legal closure.
- Any additional role that the HPC might play in examining such closures would likely relate to its overall role in increasing transparency and evaluating access to health care services.
- The MCN/CMIR process, with its 185-day timeline, would likely not be appropriate or effective to fulfill such an HPC role.
- Such role could be better filled through HPC's Registration of Provider Organizations, regular cost trends reporting and annual hearing process, Community Hospital Study, and/or CHART Investment Program.

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## Vote: Advancing Proposed Regulation on Notices of Material Change

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**Motion:** That the Cost Trends and Market Performance Committee hereby approves the advancement of the proposed regulation on notices of material change and cost and market impact reviews and the accompanying technical bulletin to the full board for vote to issue and solicit public comment.

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## Next Steps

- Commission vote at next board meeting to issue proposed regulation and solicit further public comment
- Full regulatory process, including notice and public hearing, with further opportunities for stakeholder feedback (Fall 2014)

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# Contact us

For more information about the Health Policy Commission:

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