



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued May 13, 2022

Health Policy Commission

For the period July 1, 2019 through March 31, 2021





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Mr. David Seltz, Executive Director
Health Policy Commission
50 Milk Street, Eighth Floor
Boston, MA 02109

Dear Mr. Seltz:

I am pleased to provide this performance audit of the Health Policy Commission. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2019 through March 31, 2021. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Health Policy Commission for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular stamp.

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

CHIA	Center for Health Information and Analysis
CMR	Code of Massachusetts Regulations
DHTF	Distressed Hospital Trust Fund
HPC	Health Policy Commission
MMARS	Massachusetts Management Accounting and Reporting System
OSA	Office of the State Auditor
OD	opioid use disorder
SHIFT	Sustainable Healthcare Innovations Fostering Transformation

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of the Health Policy Commission (HPC) for the period July 1, 2019 through March 31, 2021. The purpose of this audit was to determine whether HPC¹ administered its Sustainable Healthcare Innovations Fostering Transformation (SHIFT) Care Program—approved grant contracts in accordance with Sections 2GGGG(d), (e), (f), and (i) of Chapter 29 of the General Laws and Section 5 of Title 958 of the Code of Massachusetts Regulations. Funding for the SHIFT Care Program is provided by the Distressed Hospital Trust Fund (DHTF), which was established by Section 2GGGG(a) of Chapter 29 of the General Laws to provide approved grant contracts to certain nonprofit community hospitals. The fund is financed by public and private sources, grants, donations, interest earned on revenue, and other sources. During our audit period, the DHTF had ending balances of \$10,231,155 for fiscal year 2020 and \$7,329,620 for fiscal year 2021.

Our audit revealed no significant instances of noncompliance by HPC that must be reported under generally accepted government auditing standards.

1. Generally accepted government auditing standards require that organizations be free from organizational impairments to independence with respect to the entities they audit. Under Section 2(b) of Chapter 6D of the General Laws, HPC's board consists of 11 members, 3 of whom are appointed by the State Auditor. This disclosure is made for informational purposes only, and this circumstance did not interfere with our ability to perform our audit work and report its results impartially.

OVERVIEW OF AUDITED ENTITY

The Health Policy Commission (HPC) was established under Chapter 6D of the Massachusetts General Laws in 2012 by Section 15 of Chapter 224 of the Acts of 2012. HPC is an independent state agency that is overseen by an 11-member board. This board, by law, consists of experts from various healthcare sectors, including healthcare finance and administration, primary care, consumer advocacy, behavioral health, and the healthcare workforce. According to HPC's website, its mission is "to advance a more transparent, accountable, and equitable health care system through its independent policy leadership and innovative investment programs," and its goal is to improve healthcare and make it more affordable for all residents of the Commonwealth. As part of this mission, HPC is responsible for administering all approved grant contracts through the Sustainable Healthcare Innovations Fostering Transformation (SHIFT) Care Program from the Distressed Hospital Trust Fund under Section 2GGGG of Chapter 29 of the General Laws.

SHIFT Care Program

Through the SHIFT Care Program, HPC plans to invest \$10 million in approved grant contracts to qualified acute care hospitals² throughout Massachusetts. Funding for the program came from a one-time assessment on acute care hospitals, as required by Chapter 224 of the Acts of 2012. To be eligible for program funding and thus deemed qualified, an acute care hospital must be a nonprofit non-teaching hospital and have relative prices³ below the statewide median relative price. HPC sought applicants that proposed to implement innovative models to address health-related social needs and increase access to behavioral health services, especially those that focus on opioid use disorder (OUD) treatment.

In July 2018, HPC approved grant contracts of approximately \$5.6 million of the \$10 million to nine community hospitals in installments over the course of 30 months. Projects that the SHIFT Care Program funded included developing a medication-assisted treatment intervention for patients seeking OUD treatment and providing compensation for psychiatrists, nurses, recovery coaches, and data analysts.

HPC will release the final results of the SHIFT Care Program in summer 2022.

2. An acute care hospital is an inpatient facility that provides surgery services or treatment for short-term conditions.

3. According to the "Technical Appendix" to the document *Provider Price Variation in the Massachusetts Commercial Market* by the Center for Health Information and Analysis, "Relative price is a calculated aggregate measure used to evaluate variation in health care provider prices in a given calendar year."

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of the Health Policy Commission's (HPC's) administration of its Distressed Hospital Trust Fund (DHTF) and reimbursements through its Sustainable Healthcare Innovations Fostering Transformation (SHIFT) Care Program for the period July 1, 2019 through March 31, 2021.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer and the conclusion we reached regarding each objective.

Objective	Conclusion
1. Did HPC administer the DHTF in accordance with Section 2GGGG(c) of Chapter 29 of the General Laws?	Yes
2. Did HPC provide reimbursements through its SHIFT Care Program in accordance with Sections 2GGGG(d), (e), (f), and (i) of Chapter 29 of the General Laws and Section 5 of Title 958 of the Code of Massachusetts Regulations (CMR)?	Yes

To achieve our objectives, we gained an understanding of the internal controls we deemed relevant to the objectives by reviewing original source documents; conducting inquiries with HPC officials; and reviewing HPC's internal controls as well as applicable laws, regulations, and agency policies and procedures.

We reviewed and tested the effectiveness of internal controls related to the expenditures from the DHTF, as well as approval of the grant contracts with hospitals that received funding from the DHTF for the SHIFT Care Program. Specifically, we performed control testing to verify that the grant contracts were approved in the Massachusetts Management Accounting and Reporting System (MMARS) by either HPC's chief financial officer or the Office of the Comptroller of the Commonwealth, that the HPC contract manager

and staff members from HPC's Office of the General Counsel approved routing forms for payments for the SHIFT Care Program, and that HPC's chief financial officer approved the payments in MMARS.

To obtain sufficient, appropriate evidence to address our audit objectives, we conducted further audit testing as described below.

Reimbursement Purposes

To determine whether HPC administered funding from the DHTF in accordance with Section 2GGGG(c) of Chapter 29 of the General Laws, we interviewed HPC officials and reviewed Section 2GGGG(c), DHTF reimbursements from MMARS, and reimbursement requests sent to HPC by hospitals that received DHTF funding. We selected a judgmental sample of 39 reimbursements from a total population of 154 disbursements from the DHTF during the audit period for our test. These 39 reimbursements accounted for \$3,683,202 of a total of \$4,553,853 spent during the audit period. We spoke with HPC officials to determine how they defined reimbursement purposes to ensure that reimbursements were eligible (i.e., that they met one of the six purposes in Section 2GGGG(c)). Then we reviewed reimbursement requests in each hospital's financial report to determine whether the expenses met one of these six purposes.

Qualified Hospitals

To determine whether HPC administered funding through the SHIFT Care Program to qualified hospitals, in accordance with Section 2GGGG(d) of Chapter 29 of the General Laws, we reviewed applicable state laws and DHTF expenditures from MMARS and spoke with officials from both HPC and the Center for Health Information and Analysis (CHIA).⁴ CHIA compiles and maintains data on each hospital each year, including whether each one is a teaching hospital, whether it is a nonprofit or for-profit hospital, and what its relative price is in comparison with other hospitals in the Commonwealth. From our review of the reimbursements, we identified nine hospitals that received reimbursements from the DHTF during the audit period for the SHIFT Care Program. Since these determinations decide whether a hospital is eligible for reimbursements under Section 2GGGG(d) of Chapter 29 of the General Laws, we requested the hospital data from CHIA that were in effect when HPC approved the grant contracts for the SHIFT Care Program. We used this information to ensure that only qualified hospitals received reimbursements from the DHTF.

4. Section 2GGGG(d)(2) of Chapter 29 of the General Laws requires CHIA to determine the statewide median relative price.

Approved Grant Contracts

Section 2GGGG(e) of Chapter 29 of the General Laws lists five elements a proposal must have in order to qualify as a properly completed grant proposal. We reviewed the grant proposal from each of the nine hospitals that received reimbursement from the DHTF for the SHIFT Care Program during the audit period and verified that all five elements were present.

Limit on Administrative/Overhead Spending

Section 2GGGG(f) of Chapter 29 of the General Laws and 958 CMR 5 indicate that HPC should set a limit on the amounts of administrative and overhead spending that are eligible for reimbursement; neither the law nor the regulation specifies what that limit should be or determines the types of administrative or overhead spending that are eligible. We interviewed HPC officials to gain an understanding of the limit HPC set for each hospital. HPC set the limit at \$187,000 per year for each hospital employee who was reimbursed through the SHIFT Care Program. Additionally, we learned from HPC officials that the following types of administrative or overhead spending were ineligible for reimbursement: rent, indirect expenses, utilities, and fringe benefits. We reviewed all nine hospitals' approved budgets and reimbursement requests to ensure that reimbursements did not exceed HPC's approved limit or include ineligible types of administrative or overhead spending.

Hospital Program Update Reviews

To determine whether HPC developed guidelines for annual reviews of each approved grantee's progress in accordance with Section 2GGGG(i) of Chapter 29 of the General Laws, we interviewed HPC officials and reviewed program updates from all nine hospitals that received DHTF funding for the SHIFT Care Program during the audit period. We also reviewed quarterly progress reports from Brandeis University, which was under contract with HPC to collect data on the nine hospitals that received reimbursement for the SHIFT Care Program. We verified that these quarterly progress reports constituted reviews of each hospital's progress and that they covered the entire audit period.

Data Reliability Assessment

In 2018, OSA performed a data reliability assessment for MMARS. The assessment focused on reviewing selected system controls, including access, security awareness, audit and accountability, configuration management, identification and authentication, and personnel security.

HPC uses MMARS to approve and track payments to hospitals from the DHTF for the SHIFT Care Program. We obtained all DHTF transactions from the audit period from MMARS. We performed data reliability tests on these data, including testing for blank fields, checking for duplicate records, and looking for dates outside the audit period. To ensure the completeness and accuracy of the data we received from HPC, we requested a list of invoices sent by the hospitals to HPC during the audit period and matched information from the invoices to the data we obtained from MMARS.

Based on the results of the procedures described above, we determined that the data we obtained from MMARS were sufficiently reliable for the purpose of this audit.

Conclusion

Our audit revealed no significant instances of noncompliance that must be reported under generally accepted government auditing standards.