

Beth Israel Lahey Health
Annual Report to the Massachusetts Office of the Attorney General
Provided Under Paragraph 129 of the Assurance of Discontinuance

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Introduction

Overview

Under the reporting conditions of the Assurance of Discontinuance (“AOD”) filed by the Massachusetts Office of the Attorney General (“AGO”) on November 29, 2018, Beth Israel Lahey Health (“BILH”) agreed to regularly submit certain data and information, beginning with a 60-Day Report, which was submitted on April 30, 2019, and continuing thereafter in the form of Annual Reports issued on January 15 of each calendar year for a ten-year period. BILH submitted the first Annual Report on January 15, 2020. Due to the COVID-19 pandemic, the submission date for the second Annual Report is June 30, 2021.

This report describes:

- BILH’s targeted cost savings (and outcomes achieved) from operational synergies, improved patient care efficiencies, and shifting community-appropriate care to higher-value sites of care,
- Elimination of clinical services and creation of new clinical services, and
- Consolidation of operations.

Scope of this Report

This report represents the third submission of data and information, and the second Annual Report, submitted by BILH to the AGO under paragraph 129 of the AOD reporting requirements, covering the twelve-month period of October 1, 2019 to September 30, 2020 except where otherwise noted. As with the prior Annual Report, the second Annual Report covers the subset of data elements available to BILH at the time of submission.

BILH Targeted Cost Savings: Overview

The creation of the BILH system has yielded significant opportunity – to improve quality and expand access to care, to increase operational efficiency and reduce costs, and to reinvest in the system’s critical infrastructure. As the last year has demonstrated, it also facilitated a robust, organized response to the COVID-19 pandemic, with BILH positioned as a vital player in the State’s response to this unprecedented public health crisis. Marshalling resources across the system, as of the time this report was written, BILH has treated approximately 8,500 hospitalized patients with COVID-19, administered over 400,000 COVID-19 vaccine doses, and performed more than 700,000 COVID-19 diagnostic tests since the start of the pandemic.

Given the focus on responding to the first surge of the pandemic and preparing for the second, some of BILH’s integration efforts decelerated during fiscal year (“FY”) 2020. Certain efforts continued but at a slower pace, while others were put on hold. In many areas, however, the pandemic had the opposite effect, as it required teams and projects to come to fruition more rapidly to meet the demands of patient care and workforce management. For example, BILH created a system-wide Employee Health infrastructure and developed system-wide Human Resources policies to support its staff during these unprecedented times.

Despite the pandemic, BILH achieved \$27.2 million in targeted cost savings in FY 2020 through a range of initiatives described throughout this report. BILH remains confident that it will meet the original projection of annual savings of between \$59.8 million to \$86.4 million by Year Five of operations (FY 2023). In line with the scope of this report as outlined by the AOD, these estimates exclude the value generated from clinical service line growth and reduced outmigration of care, both of which are expected outcomes of BILH’s efforts to create an accessible, well-coordinated system of care for patients and families in Eastern Massachusetts.

Table 1 below summarizes the original projections of targeted cost savings by administrative or clinical area as well as savings achieved through FY 2020.

Table 1. Projected and Actual BILH Targeted Cost Savings as a Result of Operational Synergies and Patient Care Efficiencies (Fiscal Year Ending September 30)¹

\$ in Millions	FY 2020 Original Projection	FY 2020 Actual Savings
Operational Synergies		
Supply Chain	8.1 – 9.9	7.6
Revenue Cycle	2.8 – 5.2	0.6
Other Operations	4.2 – 5.5	8.1
Patient Care Efficiencies		
Pharmacy	2.9 – 6.2	6.4
Laboratory	0.7 – 1.1	4.5
Clinical Engineering	0.5 – 1.4	-
BILH Performance Network	0.8 – 2.6	-
Total	20.0 – 31.8	27.2

¹ Low to high estimates

A. Targeted Cost Savings: Operational Synergies

Supply Chain

As noted in the first Annual Report, BILH projects that Supply Chain will be the single largest source of cost savings for the system. By Year 5 (FY 2023), BILH estimates annual run-rate savings of between \$25.2 million to \$30.8 million compared to the pre-merger baseline of FY 2018. In FY 2020, BILH saved \$7.6 million compared to FY 2018. This number is less than expected due to the disruption to clinical operations caused by the COVID-19 pandemic, as the decline in elective care between March and September 2020 resulted in less overall spend on clinical supplies. With the return to pre-pandemic clinical volumes, BILH remains confident that it will achieve its Year 5 goal. Its efforts will be bolstered by the centralized leadership structure created in FY 2020 with the appointment of a system Vice President of Supply Chain.

In FY 2019, BILH laid the foundation for an enterprise-wide Supply Chain function by moving to a single Group Purchasing Organization (“GPO”), HealthTrust. A significant proportion of the projected savings in Supply Chain will come from lower unit prices on supplies and services due to HealthTrust-negotiated contracts. For many items, BILH saw an immediate reduction in price upon moving to HealthTrust. In other instances, BILH has achieved price savings after converting its organizations from non-HealthTrust contracted products to HealthTrust-contracted products, when clinically appropriate. BILH has further optimized pricing by leveraging its system-wide scale in its procurement efforts, as some vendors tie pricing to total volume.

Total cost savings are based on the change in unit price as well as total volume. While the move to HealthTrust has resulted in significant unit price savings, total cost savings were less than projected in FY 2020 due to the pandemic’s impact on clinical volumes.

To supplement its GPO-related savings, BILH has successfully negotiated several new system-wide contracts for non-GPO products and services. The majority of such savings in FY 2020 are related to contracts implemented in FY 2019 (e.g., WB Mason for office supplies). Looking ahead to FY 2021, Supply Chain leaders have identified several opportunities for contract optimization and, in some cases, consolidation to single-vendor service contracts.

Throughout FY 2020 and FY 2021, the Supply Chain team played an integral role in BILH’s response to the COVID-19 pandemic. It ensured the organization was able to source, store, distribute, and – where applicable – reprocess critical supplies. Notably, due to intense demand worldwide, BILH was not able to rely primarily on HealthTrust vendors for these items and, as a result, did not benefit from GPO-driven cost savings. The system paid a premium for these items due to ongoing critical supply shortages, and it will continue to do so for the foreseeable future.

As noted elsewhere in this report, BILH selected Workday as its Enterprise Resource Planning (“ERP”) system in early FY 2020. Along with Finance, Human Resources, and Information Technology, the Supply Chain team launched Workday implementation planning in late FY 2020. Through FY 2021 and FY 2022, BILH’s Supply Chain team will work to transform, integrate, and standardize business processes and create standard tools, such as system-wide item master and vendor

lists. When Workday is live in FY 2023, Supply Chain will have a standard platform across entities to procure items, manage inventory, and generate analytics and reporting.

Revenue Cycle

In FY 2020, BILH made progress on two key Revenue Cycle functions, self-pay account management and bad debt services, both of which contribute to a reduction in bad debt (unpaid portions of bills). BILH saved approximately \$600,000 in FY 2020 due to the implementation of system-wide vendors.

In the fall of 2019, BILH initiated a competitive bid process for both extended business office (“EBO”) vendors as well as bad debt management vendors.² Over the course of several months, BILH evaluated multiple vendors on their ability to provide superior customer service, increase revenue, and decrease the cost of collection. In March 2020, BILH awarded the EBO contract to BCA Financial Services, Inc., and the bad debt management contracts to Gragil Associates, Inc., and Credit Control Services, Inc. BILH expects to fully implement these new EBO and bad debt relationships in FY 2021.

To support the implementation process and provide its patients with a consistent experience across its hospitals, BILH standardized several Revenue Cycle-related policies and processes. For example, BILH hospitals developed a standard timeline for the delivery of key communications to patients regarding their accounts and created standard language and formatting for patient billing statements.

In FY 2021, BILH initiated a competitive bid process for motor vehicle accident and workers’ compensation claims management. In addition to its vendor optimization efforts, BILH’s Revenue Cycle leaders will outline additional goals to reduce bad debt and denial write-offs (charges that payers deny) and improve overall revenue integrity.

Other Operations

In FY 2020, BILH achieved significant cost savings in Human Resources, Finance Operations, Real Estate and Facilities, and Information Technology. Across these areas, BILH achieved \$8.1 million in savings compared to its original projection of between \$4.2 million and \$5.5 million. Much of this value has accrued through the consolidation and optimization of purchased services contracts. BILH executed multiple competitive bid processes in FY 2019 and FY 2020 to identify vendors who will deliver optimal performance at reduced cost.

Human Resources

BILH took several steps toward creating a centralized Human Resources function in FY 2020 to better serve its more than 35,000 employees and their dependents. First, BILH appointed a system-level Chief Human Resources Officer (“CHRO”). Second, BILH began to lay the foundation for a system-wide Employee Health service. Third, BILH continued to make significant progress toward harmonizing its benefits platform across its business units. Fourth, as noted elsewhere, BILH selected and began the implementation process for a system-wide ERP platform. Across its various integration efforts, BILH Human Resources generated \$6.1 million in cost savings compared to FY 2018.

² An EBO works on behalf of hospitals to communicate and educate patients regarding self-pay accounts early on in the aged receivables timeline and to develop flexible payment plans.

BILH appointed a CHRO in January 2020. This role is responsible for setting the vision and strategy for Human Resources and oversees all of its components, including talent acquisition, talent development, total rewards, human resources technology and analytics, employee relations, labor relations, employee health and wellness programming, and workforce planning. Having centralized leadership in this key function facilitated a system-wide response to the pandemic in the areas of workforce management and employee health. BILH developed and provided system-wide programs, policies, and tools to ensure its hospitals are able to deliver safe, effective care while supporting the physical and emotional well-being of its staff. Examples of such system-wide resources include an enhanced supplemental leave policy; an easy-to-use, automated employee COVID-19 symptom attestation tool; an online, cognitive behavioral treatment program for managing anxiety; and telecommuting guidelines.

While the impact of COVID-19 decelerated integration efforts in some areas, it helped propel integration in others such as Employee Health. Beginning in March 2020, BILH harmonized all Employee Health policies relating to COVID-19 (e.g., return to work), ensuring consistency across the system and with current Federal and State guidelines. In early FY 2021, BILH created a system-wide call center for Employee Health with one phone number and e-mail address for all Employee Health-related questions. In addition, BILH operationalized a system-wide voluntary staff testing program that allowed all staff to have convenient access to COVID-19 testing, irrespective of whether they were symptomatic or exposed.

In the area of employee benefits, BILH has continued to make significant progress. As noted in the FY 2019 Annual Report, BILH achieved several milestones effective January 1, 2020:

- All organizations moved to a standard ERISA plan year;
- All organizations were on a self-insured structure for medical benefits;
- BILH consolidated to one stop-loss solution for the system;
- BILH moved to a single carrier for life insurance; and,
- BILH harmonized medical, pharmacy, and dental insurance carriers and plan designs across the 41,000 employees and their dependents on its benefit plans.³

In early FY 2020, BILH initiated competitive bid processes to select system-wide carriers for medical, pharmacy, dental, vision, and disability insurance for January 1, 2021. After in-depth evaluations, BILH selected Harvard Pilgrim Health Care for its medical benefits, CVS/Caremark for pharmacy benefits, Delta Dental for dental benefits, EyeMed for vision benefits, and Unum for disability benefits. BILH also awarded a system-wide contract to Sentinel Benefits & Financial Group to staff a system-wide, dedicated benefits help line and administer FSA, COBRA, and tuition reimbursement processing as of January 1, 2021.

Benefits harmonization efforts have continued into the current fiscal year. By the end of FY 2021, BILH will have harmonized benefit eligibility rules across the system; insurance plan contribution strategies; vision, life, and disability plan designs; leave outsourcing; and voluntary benefit offerings.⁴

³ BILH has approximately 35,000 employees. It provides benefits to approximately 41,000 individuals, including benefits-eligible employees and their dependents who opt to participate in BILH's benefits offerings.

⁴ There are some exceptions to standardization among employees under organized labor contracts.

As noted above, Human Resources began planning for the implementation of Workday in late FY 2020. In concert with those efforts, Human Resources leaders have been focused on three major areas:

- Business transformation that will reshape the way the organization is served by Human Resources and how employees access Human Resources;
- Policy harmonization that will enable industry-leading Human Resources programs to meet operational and workforce needs; and,
- A system-wide job architecture that will bring consistency to job leveling and titling methodology across BILH.

Finance Operations

As noted in the first Annual Report, BILH realized savings in FY 2020 due to the selection of system-wide vendors for its external, internal, and employee benefit plan audits. In addition, BILH competitively bid its contract for a commercial insurance broker, selecting Edgewood Partners Insurance Center (“EPIC”). By transitioning to these four enterprise-wide vendors, BILH has generated \$1.1 million in annual savings compared to FY 2018.

In the winter of FY 2020, BILH consolidated its Tier 2 investments across the system, selecting Prime Buchholz as its investment advisor and US Bank as its banking partner. Although this effort did not generate cost savings, it increased operational efficiency by consolidating all funds under a single management structure.

Real Estate & Facilities

In FY 2020, BILH created a central Real Estate office to manage its inventory of BILH leased and owned properties. To abet this effort, the system implemented a single lease administration system and generated a single inventory list. Early in FY 2020, real estate optimization planning commenced with objectives to improve patient access; employee satisfaction, recruitment, retention, and productivity; financial impact; and the overall environmental sustainability of BILH locations.

During the pandemic, BILH’s centralized Real Estate team played a key role in several system efforts, including those listed below:

- Utilizing the recently completed real estate inventory, BILH identified underutilized space across the network to create 24,000 square feet of secure storage space for personal protective equipment (“PPE”), ventilators, and other critical supplies.
- The team selected locations for COVID-19 testing sites on or near BILH leased and owned property and quickly operationalized the sites in partnership with colleagues in key clinical departments, Facilities, the Office of General Counsel, and Marketing and Communications.
- The BILH Real Estate team established and managed the operations of staff accommodations as well as three regional quarantine accommodations. Staff were able to stay close to their next shift at a BILH hospital or close to home if in quarantine.

In FY 2021, the BILH Real Estate team is partnering with Human Resources, Information Technology, and other stakeholders to continue to evolve the system’s telecommuting policies. With these new

policies in place, the team will revisit its Real Estate optimization planning exercise to develop a proposed future footprint for BILH.

In the area of Facilities management, leaders from across the system collaborated through a standing integration steering committee and project-specific forums, including those focused on BILH's COVID-19 pandemic response. Their efforts included the creation of system-wide guidelines for patient and visitor screening during the first COVID-19 surge as well as guidelines for reconfiguring ambulatory clinic spaces to facilitate safe in-person patient access following the first wave.

In addition to their pandemic-related efforts, the BILH Facilities team completed its competitive bid process for a system-wide strategic energy broker, selecting Veolia. Through its relationship with Veolia, BILH will have a consolidated view of its energy usage; Veolia will marry this information with its assessment of the market to advise BILH on energy procurement. As noted in the FY 2019 report, most of the system's natural gas and electricity utilization is contracted through 2022 and 2023, respectively, and thus, most of the financial value related to this new contract will accrue in those years. Other contract optimization efforts were paused due to the pandemic. In FY 2021, the BILH Facilities team expects to consolidate vendors in three key areas: emergency generator preventive maintenance, boiler maintenance, and solid waste management.

In FY 2020 and continuing into FY 2021, BILH Facilities leaders also have focused on identifying opportunities to increase energy efficiency. The team's energy engineers performed an assessment of all BILH hospital central plants in FY 2020, and the team plans to implement several energy-related projects in FY 2021.

Information Technology (IT)

In FY 2020, BILH appointed a Chief Information Officer ("CIO") to oversee the system's strategy and operations of its information technology enterprise. The CIO has helped guide the aforementioned Workday effort and has played a key role in overseeing the system's response to the pandemic.

In early FY 2020, as previously noted, BILH selected Workday as its system-wide ERP system. Workday implementation was delayed due to the pandemic, though planning efforts resumed by the end of the fiscal year. BILH anticipates going live with its new system in early FY 2023. Once Workday is live, BILH will have a single view into, and system for managing, its Human Resources, Finance, Supply Chain, and IT-related data and work processes.

Throughout FY 2020, BILH's IT team inventoried its service contracts across the system to facilitate contract optimization efforts, consolidating them where appropriate and using the system's enhanced purchasing power to drive improved pricing and other terms for key services and hardware. In FY 2020, BILH renegotiated its contracts with providers such as Dell, Cisco, and Sprint to generate operating cost savings as well as material savings on capital expenditures.

In FY2020, the BILH IT team collaborated with BILH Real Estate colleagues to map out a plan for consolidating the system's data centers. This effort, combined with the aforementioned contract optimization work, generated over \$800,000 in operating savings compared with FY 2018.

Across FY 2020 and FY 2021, BILH IT played an integral role in the system's response to the COVID-19 pandemic. Its efforts included the rapid deployment of telehealth capabilities across the system to ensure continued and equitable access to care, the creation of the previously-mentioned employee symptom-monitoring self-attestation tool, and the development of the COVAX Vaccination Scheduling tool. The latter tool enabled BILH to identify staff and patients eligible for vaccination according to State guidelines, book appointments, and track vaccination activity.

B. Targeted Cost Savings: Patient Care Efficiencies

BILH was successful in meeting many of its targeted savings opportunities in the patient care service areas of Pharmacy, Laboratory, Clinical Engineering, and the Beth Israel Lahey Health Performance Network ("BILHPN"). As in its operational areas, BILH identified targeted savings opportunities based on anticipated operational improvement efforts, staffing efficiencies, vendor consolidation, and renegotiation of vendor contracts.

Pharmacy

In FY 2020, BILH appointed an interim Chief Pharmacy Officer and initiated a re-organization of pharmacy services. BILH incorporated BILH Pharmacy, Inc. in January 2021, with the goal of improving patient access to drugs, quality of care, and efficiency. As a system-level pharmacy corporation, BILH Pharmacy, Inc. will be able to purchase drugs on behalf of its hospitals and distribute them across the system appropriately. This new corporation also will allow BILH to extend the reach of its centralized pharmacy services from its large, academic sites to its smaller community hospitals and clinics.

As noted in the first Annual Report, BILH Pharmacy focused much of its early efforts in the areas of transitioning to the HealthTrust GPO; launching the system's Pharmaceuticals & Therapeutics ("P&T") Committee in collaboration with the BILH Chief Medical Officer; and helping to guide the system's selection of its Pharmacy Benefits Manager ("PBM"), CVS/Caremark. Despite the pandemic, these efforts continued apace. BILH achieved significant cost savings in FY 2020 associated with its GPO contracts and the harmonization of the entire system under a single PBM contract. The system's P&T Committee made recommendations in areas such as diabetes medications, inhalants for asthma and COPD, and biosimilars for immunological diseases. During the pandemic, the Committee undertook an in-depth review of all vaccines and monoclonal antibody treatments, sharing key information sources and insights with local hospital leaders.

Additionally, BILH Pharmacy supported the system's response to the pandemic by ensuring sufficient supply of key medications and pharmaceutical supplies. BILH leveraged the system pharmacy infrastructure to facilitate appropriate sharing of pharmaceuticals and key information across the BILH hospitals to help mitigate drug shortages. In FY 2021, the Pharmacy team managed the ordering and distribution of COVID-19 vaccines and played a lead role in organizing the administration of more than 400,000 vaccine doses.

Beyond its pandemic-related efforts, BILH Pharmacy made progress on two new initiatives. First, it opened its Westwood facility in October 2020. The new facility enabled BILH to launch a home medication delivery service, helping patients to receive their medications safely and in a timely manner

throughout the pandemic. It also houses BILH's specialty pharmacy, which dispenses, manages, and monitors specialty medications to improve clinical care for patients with complex diseases. Second, in late FY 2020, BILH Pharmacy supported the launch of a new co-pay assistance program that provides employees enrolled in BILH health insurance plans with access to drug manufacturer financial assistance programs. In FY 2021, BILH estimates that its health plan members will save nearly \$300K on high-cost specialty drugs through this program. As a self-insured employer, BILH will see cost savings on these drugs as well.

Across its various initiatives, BILH Pharmacy generated \$6.4 million in savings compared to the pre-merger FY 2018 baseline.

Laboratory

Following an extensive competitive bid process, BILH selected Quest Diagnostics as its enterprise-wide primary reference laboratory in early FY 2020. While the pandemic slowed down the implementation process, the system went live with the new contract across all of its hospitals in September 2020. Given that the new arrangement was in place for only one month of the fiscal year, savings for FY 2020 are modest. Starting in FY 2021, BILH anticipates a substantial reduction in reference lab spend compared to its pre-merger baseline.

In addition to generating cost savings, the move to a system-wide primary reference laboratory marks a significant step toward creating a single BILH laboratory approach. In November 2020, BILH took another major step in this direction with the appointment of a system Vice President of Laboratory Services, unifying the laboratory enterprise under a single management structure focused on optimizing access, quality of care, clinician and patient experience, and efficiency.

BILH laboratories played an essential role in the system's response to the COVID-19 pandemic. In March 2020, Beth Israel Deaconess Medical Center ("BIDMC") became one of the first hospital laboratories in the State to begin in-house high-throughput polymerase chain reaction ("PCR") COVID-19 testing for patients and healthcare workers. BIDMC's laboratory provided this test to BILH hospitals and other community partners, such as health centers and corrections facilities, at a time when supply was extremely limited but critical for patient care and capacity management. Throughout the pandemic, BILH worked tirelessly to bring on additional in-house testing capabilities, including high-throughput Thermo Fisher instruments at Lahey Hospital & Medical Center ("LHMC") with capacity to perform more than 6,000 COVID-19 tests per day beginning in January 2021. At the time of this report, BILH has performed more than 700,000 COVID-19 diagnostic tests across 10 hospital laboratories since the start of the pandemic. BILH significantly reduced its expenditures on COVID-19 testing through its in-sourcing efforts.

Together, the move to a single system-wide reference laboratory and the in-sourcing of COVID-19 testing saved BILH \$4.5 million in FY 2020.

Clinical Engineering

In FY 2020, the Clinical Engineering team focused on completing the inventory of over 900 pieces of diagnostic imaging equipment throughout BILH and developing a competitive bid proposal for

maintenance services for this equipment. BILH released the request for proposals in FY 2021 and anticipates selecting a vendor later that year. The selection of a single service provider will reduce cost, improve and standardize service levels, provide increased visibility into inventories, and enhance quality of service. Starting in FY 2021, BILH anticipates savings will exceed its initial projections for this system function.

The Supply Chain and Clinical Engineering teams worked throughout the COVID-19 pandemic to ensure that key pieces of clinical equipment were mobilized and shared across BILH facilities. Thirty-six additional ventilators were acquired and placed into service, several of which had modifications to address clinical needs. This equipment will continue to be managed, serviced, and rotated throughout BILH from the pandemic inventory warehouse, co-located with one of the system's offsite business offices.

Beth Israel Lahey Health Performance Network

Throughout FY 2020, BILHPN continued to consolidate and optimize its operating platform to drive improvements in patient care, quality performance, and total medical expense management. Building on the best practices of its legacy organizations – Beth Israel Deaconess Care Organization (“BIDCO”) and Lahey Clinical Performance Network (“LCPN”) –it established a single leadership structure, management team, and employment platform and integrated the work of key functional areas.

As a result of its efforts throughout FY 2020, BILHPN achieved the following milestones by early FY 2021:

- Executed BILHPN-wide contracts with Blue Cross Blue Shield of Massachusetts and Harvard Pilgrim Health Care;
- Centralized provider enrollment services for BILHPN providers;
- Migrated from two population health data warehouses to one enterprise-wide platform, Arcadia;
- Migrated from eight payroll systems to one system, with a harmonized set of benefits for employees;
- Transitioned from four to two physical offices; and,
- Consolidated the contracts for purchased goods and services of its legacy organizations.

The transition to a single data warehouse proved indispensable to BILH's response to the COVID-19 pandemic. The Arcadia system served as the foundation of the COVAX Vaccination Tool through which BILH managed the identification of staff and patients eligible for vaccination, scheduling of vaccination appointments, and tracking of vaccination activity. In addition to supporting the system's pandemic response, the move to an enterprise-wide data warehouse has enhanced BILHPN's ability to coordinate the care of its patients. Having a single tool in place means that BILHPN clinical care managers use a standard platform for developing and communicating care plans. Furthermore, BILHPN can more easily augment the clinical data available in Arcadia, which facilitates the identification of any gaps in care.

C. Targeted Cost Savings: Shifting Care to Higher Value Settings

In its first Annual Report, BILH provided detail on five initiatives that will increase the volume of care provided at BILH versus higher-priced providers and, within BILH, increase the volume of care provided

in its lower-cost settings. These initiatives continue to be priorities for BILH. The system's success with these initiatives, and the broader goal of transitioning care to higher-value settings, is challenging to measure in FY 2020 due to the pandemic's impact on clinical operations and volume. Looking forward, BILH remains confident in its ability to generate material savings for the Commonwealth through its efforts to bolster the capabilities of its community providers, educate patients and referring providers regarding its service offerings available locally, and coordinate care across the system's providers and care continuum.

Despite the pandemic, three of the initiatives outlined in the first Annual Report continued to evolve in FY 2020:

- First, the virtual transfer center that BILH launched in August 2019 continued to expand. Across its three tertiary hospitals – BIDMC, LHMC, and Mount Auburn Hospital – BILH accepted over 10,000 transfers in FY 2020. Among those transfers are approximately 300 patients who could not be accommodated in real time at the originally requested facility due to capacity constraints but were successfully redirected to another BILH tertiary facility. Prior to the merger, referring providers likely would have sent such transfers to a higher-cost provider in Boston. Now, through its virtual transfer center, BILH provides real-time access to all three tertiary sites for patients. During the pandemic, the system greatly benefitted from the relationships and processes established through the virtual transfer center. BILH hospitals collaborated to effectively manage patient capacity and direct patients, including a significant volume of high-acuity COVID-19 patients, to appropriate care settings.
- Second, BILH Continuing Care continued to integrate staff and services throughout FY 2020, eventually moving all homecare and hospice operations under one entity, BILH at Home, as of October 2020.
- Third, BILHPN's centralized referral management program for commercial HMO patients has continued to grow. Primary care practices that have opted to participate in this program rely on dedicated, trained staff to manage patient requests for out-of-network specialty care. When appropriate, BILHPN staff provide patients with in-network options for such care, including options that are geographically closer to home. In FY 2021, the volume of redirected referrals for providers in the program increased, and additional primary care practices decided to participate in the program.

To measure its performance at reducing the outmigration of care to high-cost providers, BILH has undertaken two analyses. First, for its patients under risk-contract arrangements, BILH measured the percentage of inpatient admissions that went to non-BILHPN providers and categorized those providers by their relative cost. As the data in [Table 2](#) illustrate, BILHPN's performance with regard to reducing outmigration of care was mixed. While outmigration among the commercial HMO population decreased, the outmigration rate for the PPO population was flat, and the outmigration rates for the Medicare and MassHealth populations increased. BILHPN is encouraged by the commercial HMO results given that it has the most influence on this population in terms of where patients seek care, as HMO patients must obtain referral authorization for non-emergent specialty care. As noted earlier, BILHPN has expanded its system-wide referral management program for commercial HMO patients, which enhances its ability to direct patients toward in-network providers.

Table 2. Outmigration Rates for Inpatient Acute Admissions among BILHPN Patients in Risk Contract Arrangements, FY 2019 Partial Year vs. FY 2020⁵

		Outmigration Rates (Based on Utilization/1,000)		
	% of Total Member Months (FY 2019 Partial Year / FY 2020)	March 2019 - September 2019	FY 2020	Change
HMO	42% / 41%	31.8%	31.2%	-0.7%
High Cost		20.7%	19.3%	-1.4%
Medium Cost		8.0%	8.1%	0.1%
Low Cost		0.7%	0.7%	0.0%
Non-Defined		2.5%	3.1%	0.7%
PPO	23%	34.4%	34.5%	0.1%
High Cost		24.5%	24.7%	0.2%
Medium Cost		8.8%	8.6%	-0.3%
Low Cost		0.7%	0.9%	0.2%
Non-Defined		0.4%	0.3%	0.0%
MEDICARE	25% / 24%	22.5%	24.4%	1.9%
High Cost		10.6%	11.0%	0.4%
Medium Cost		7.8%	8.4%	0.6%
Low Cost		0.6%	0.5%	0.0%
Non-Defined		3.6%	4.5%	0.9%
MassHealth	11% / 12%	28.3%	29.0%	0.6%
High Cost		8.9%	9.7%	0.7%
Medium Cost		14.5%	14.3%	-0.2%
Low Cost		4.2%	4.3%	0.1%
Non-Defined		0.7%	0.7%	0.0%

Second, BILH measured its success at strengthening the capabilities and market position of its community providers by tracking the case mix index (“CMI”) and inpatient volume trends at each BILH community hospital. As the data in [Table 3](#) shows, CMI increased 5% across BILH’s community hospitals between FY 2018 and March of FY 2021, reflecting significant growth in the ability of these institutions to provide higher-complexity care. Inpatient volume declined in FY 2020 and FY 2021 due to the impact of COVID-19 on clinical volumes. (BILH expects that full-year volume for FY 2021 will materially exceed the annualized estimate below as that estimate does not account for a return to pre-pandemic volume levels in the second half of the year.) BILH did not compare its community hospital performance against that of the Eastern Massachusetts market because market data are not available for FY 2020 or FY 2021. The FY 2019 Center for Health Information and Analysis (“CHIA”) Hospital Inpatient Discharge Dataset is the most recent data available at the time this report is being submitted.

⁵ This analysis is based on BILHPN claims data. Outmigration rates are based on utilization, not dollars. Excludes behavioral health and transplant admissions. Categorization of hospitals as high/medium/low cost is based on the 2021 CHIA relative price (“RP”) factor report, which is based on 2019 data; this report is the most recent version available at this time. BILH re-calculated the average RP factor for each hospital using the RP inpatient factors for the three major payors (BCBSMA, HPHC, and Tufts HP). BILH classified as high-cost those hospitals in the top 25th percentile of average relative inpatient price; medium-cost as the 25th – 75th percentile; and low-cost as the bottom quartile. The non-defined category includes non-Massachusetts-based hospitals.

Table 3. Inpatient Volume and CMI for BILH Hospitals, FY 2018 – FY 2021 March YTD⁶

		Inpatient Discharges					Inpatient CMI				
BILH Hospital	Hospital Type	FY 2018	FY 2019	FY 2020	FY 2021 Mar YTD Annualized	% Change FY 2018 to FY 2021 ⁶	FY 2018	FY 2019	FY 2020	FY 2021 Mar YTD Annualized	% Change FY 2018 to FY 2021 ⁶
BIDMC	AMC	40,705	40,752	36,402	36,022	-12%	1.74	1.75	1.81	1.92	10%
LHMC	AMC	23,997	23,936	21,448	21,066	-12%	1.87	1.91	1.98	2.05	10%
Anna Jaques	Community	7,361	7,109	6,147	6,158	-16%	1.03	1.17	1.20	1.27	24%
BID-Milton	Community	5,787	6,135	5,741	5,748	-1%	1.47	1.45	1.51	1.55	5%
BID-Needham	Community	2,832	2,855	3,019	3,590	27%	1.37	1.34	1.36	1.37	0%
BID-Plymouth	Community	11,751	12,371	11,797	11,390	-3%	1.38	1.40	1.40	1.43	4%
Beverly & Addison Gilbert	Community	21,358	21,087	19,181	18,272	-14%	1.25	1.26	1.27	1.29	4%
Mount Auburn	Community/Tertiary	14,574	13,514	12,337	12,092	-17%	1.11	1.08	1.06	1.13	2%
Winchester	Community	13,098	14,215	13,960	13,766	5%	1.19	1.17	1.16	1.22	3%
NEBH	Specialty	8,574	8,175	6,931	7,034	-18%	2.38	2.34	2.33	2.29	-4%
TOTAL BILH Hospitals		150,037	150,149	136,963	135,138	-10%	1.54	1.55	1.57	1.63	6%
BILH AMCs		64,702	64,688	57,850	57,088	-12%	1.79	1.81	1.87	1.97	10%
BILH Community Hospitals		76,761	77,286	72,182	71,016	-7%	1.23	1.24	1.25	1.30	5%

As noted in its previous reports, BILH will also measure its success in enhancing community-based care through the system's ongoing commitments to community health center affiliates and safety net affiliates, as outlined in Paragraphs 98 to 112 of the AOD and as detailed in annual third-party monitor reports.

D. Elimination or Creation of Clinical Services

BILH created one new material clinical service over the reporting period. To enhance the care available to its growing volume of behavioral health patients, Beth Israel Deaconess Hospital-Needham created an inpatient and ED psychiatry consult service.

In FY 2020, BILH discontinued two services due to the pandemic-related decline in patient volumes.

- BILH at Home discontinued private-duty home health services. Client demand for these services declined significantly during the pandemic. As the market had an ample supply of such service providers, BILH transitioned the remaining patients to other private-duty agencies in June and July 2020. Going forward, BILH at Home will focus on enhancing its certified VNA services rather than reinstating private-duty care.
- BILH Behavioral Services eliminated its In-Home Therapy and Therapeutic Mentoring programs in FY 2020 due to changes to their payment models. Behavioral Services continues to provide the same or equivalent services to its pediatric population under different programmatic and payment structures.

⁶ For the percent change calculation, FY 2018 is compared to FY 2021 March YTD annualized.

E. Other Consolidations of Services

As noted in this Annual Report, BILH continued to build out its system services model in FY 2020 with the appointment of system-level leaders in Supply Chain, Human Resources, Information Technology, Pharmacy, and Laboratory Services. BILH also created centralized leadership models in the areas of Primary Care, Compliance, and Emergency Management. These leaders, as well as their counterparts who were appointed in FY 2019, have been building their teams and developing their operating models to meet the needs of our patients and their constituents across the system.

System leadership proved vital to BILH's successful response to the COVID-19 pandemic. BILH leaders organized rapid, thoughtful, and efficient deployments of resources to ensure patient and staff safety and access to care. In addition to the examples provided throughout this Annual Report, BILH notes that its Vice President of Emergency Management and Chief Medical Officer oversaw the system's response to the pandemic, with the system's Chief Infection Prevention Officer (formally appointed in FY 2021) playing an integral role. In FY 2021, the system's Chief Integration Officer led the system's patient vaccination effort.

In the first Annual Report, BILH noted that integration efforts within its Continuing Care unit were well underway. In December 2019, CareGroup Parmenter became a wholly owned subsidiary of Lahey Health at Home and the two groups submitted filings to do business as BILH at Home and BILH at Home-Watertown, respectively. By October 2020, all homecare and hospice patients and staff had been moved to BILH at Home. The transition to a single entity was made seamless for patients as their care teams did not change. From an operational perspective, the transition to a single entity – including a single electronic medical record ("EMR"), payroll, and leadership structure – was phased over the course of FY 2020.

In FY 2020, BILH made significant progress toward creating a unified primary care enterprise, including the creation of a centralized leadership structure comprised of a physician Chair, a President, and Chief Medical Officer. The leadership team oversees a consortium of over 400 employed primary care physicians and their practice staff in over 80 practices ranging from southern New Hampshire to Cape Cod. These practices work in a collaborative fashion to provide superior and consistent access and service by enhancing the care delivery model, improving quality of care, promoting innovation within primary care, and increasing efficiency.

Across FY 2020 and FY 2021, BILHPC successfully responded as a unified organization to the challenges presented by the COVID-19 pandemic. BILHPC rapidly deployed a telehealth strategy to facilitate continued patient access, quickly transitioned to cohort clinics to care for sick patients, successfully managed a phased reopening by July 2020, and led the operations of several mass vaccination sites on behalf of BILH.