



MASSACHUSETTS HEALTH POLICY COMMISSION REVIEW OF

**Beth Israel Deaconess Care Organization's
Proposed Contracting Affiliation with New
England Baptist Hospital and New England
Baptist Clinical Integration Organization
(HPC-CMIR-2015-1)**

AND

**Beth Israel Deaconess Care Organization's
Proposed Contracting Affiliation and Beth Israel
Deaconess Medical Center's and Harvard Medical
Faculty Physicians' Proposed Clinical Affiliation
with MetroWest Medical Center
(HPC-CMIR-2015-2 and HPC-CMIR-2016-1)**

EXECUTIVE SUMMARY

The Beth Israel Deaconess Care Organization (BIDCO) was founded by Beth Israel Deaconess Medical Center (BIDMC) and Beth Israel Deaconess Physician Organization, including Harvard Medical Faculty Physicians at BIDMC (HMFP). In the past three and a half years, an additional six hospitals and four large physician groups have become members of, and have started contracting through, BIDCO. BIDCO is now the second largest hospital contracting network in the state, among the largest physician contracting networks, and one of Massachusetts' largest accountable care organizations (ACOs).¹ In the fall of 2015, BIDCO proposed adding two additional hospitals and certain affiliated physicians to its ACO and contracting network.

In September 2015, BIDCO and New England Baptist Hospital (NEBH), the Commonwealth's only orthopedic specialty hospital, executed affiliation agreements under which NEBH and its owned physician group, New England Baptist Clinical Integration Organization (NEBCIO), would become members of BIDCO.² In October 2015, BIDCO entered into a similar agreement with MetroWest Medical Center (MetroWest),³ a community hospital owned by Tenet Healthcare Corporation, with campuses located in Framingham and Natick. As BIDCO members, NEBH, NEBCIO, and MetroWest would participate in BIDCO's clinical integration programs, and BIDCO would establish payer contracts on their behalf. In connection with joining BIDCO, MetroWest also entered into a clinical affiliation agreement in January 2016 with BIDMC and HMFP,⁴ whose presidents co-chair BIDCO's board of

¹ BIDCO does not own its members. Rather, the BIDCO member hospitals and physician groups govern BIDCO and pay membership fees, and BIDCO establishes payer contracts on their behalf. See Section II.A and note 27, *infra*, for a full discussion of BIDCO's roles.

² BETH ISRAEL DEACONESS CARE ORGANIZATION (BIDCO), NOTICE OF MATERIAL CHANGE TO THE HEALTH POLICY COMM'N (OCT. 2, 2015), AS REQUIRED UNDER MASS. GEN. LAWS ch. 6D § 13, *available at* <http://www.mass.gov/anf/docs/hpc/material-change-notices/20151002-bidco-nebh-nebcio.pdf>; NEW ENGLAND BAPTIST HOSPITAL (NEBH), NOTICE OF MATERIAL CHANGE TO THE HEALTH POLICY COMM'N (OCT. 2, 2015), AS REQUIRED UNDER MASS. GEN. LAWS ch. 6D § 13, *available at* <http://www.mass.gov/anf/docs/hpc/material-change-notices/20151002-nebh-bidco-nebcio.pdf>; NEW ENGLAND BAPTIST CLINICAL INTEGRATION ORGANIZATION (NEBCIO), NOTICE OF MATERIAL CHANGE TO THE HEALTH POLICY COMM'N (OCT. 2, 2015), AS REQUIRED UNDER MASS. GEN. LAWS ch. 6D § 13, *available at* <http://www.mass.gov/anf/docs/hpc/material-change-notices/20151002-nebcio-nebh-bidco.pdf> (collectively BIDCO-NEBH-NEBCIO NOTICE OF MATERIAL CHANGE).

³ BETH ISRAEL DEACONESS CARE ORGANIZATION (BIDCO), NOTICE OF MATERIAL CHANGE TO THE HEALTH POLICY COMM'N (OCT. 30, 2015), AS REQUIRED UNDER MASS. GEN. LAWS ch. 6D § 13, *available at* <http://www.mass.gov/anf/docs/hpc/material-change-notices/20151030-notice-of-material-change-bidco-mwmc.pdf>; VHS SUBSIDIARY NUMBER 9, INC. D/B/A METROWEST MEDICAL CENTER, NOTICE OF MATERIAL CHANGE TO THE HEALTH POLICY COMM'N (OCT. 30, 2015), AS REQUIRED UNDER MASS. GEN. LAWS ch. 6D § 13, *available at* <http://www.mass.gov/anf/docs/hpc/material-change-notices/20151030-mwmc-notice-of-material-change.pdf> (collectively BIDCO-METROWEST NOTICE OF MATERIAL CHANGE).

⁴ BETH ISRAEL DEACONESS MEDICAL CENTER (BIDMC), NOTICE OF MATERIAL CHANGE TO THE HEALTH POLICY COMM'N (JAN. 14, 2016), AS REQUIRED UNDER MASS. GEN. LAWS ch. 6D § 13, *available at* <http://www.mass.gov/anf/docs/hpc/material-change-notices/20160114-bidmc-mw-hmfp.pdf>; HARVARD MEDICAL FACULTY PHYSICIANS (HMFP), NOTICE OF MATERIAL CHANGE TO THE HEALTH POLICY COMM'N (OCT. 2, 2015), AS REQUIRED UNDER MASS. GEN. LAWS ch. 6D § 13, *available at* <http://www.mass.gov/anf/docs/hpc/material-change-notices/20160115-hmfp-bidmc-mwmc-2.pdf>; VHS SUBSIDIARY NUMBER 9, INC. D/B/A METROWEST

directors. Under the clinical affiliation, the parties would collaborate on certain clinical programs and MetroWest would designate BIDMC and HMFP as its preferred referral partner for most tertiary and quaternary services.⁵

Following 30-day initial reviews, the HPC determined that these transactions and the resulting continued growth of the BIDCO network were likely to have a significant impact on costs and market functioning in Massachusetts and warranted further review.⁶ Due to the interrelated questions posed by the transactions, the similar timelines of our reviews, and a desire to minimize administrative burden, the HPC has elected to present its reviews of the transactions together. On July 27, 2016, the HPC issued a Preliminary Report presenting our analysis and key findings from our reviews.⁷ Following a 30-day opportunity for the parties to respond to these findings, the HPC now issues this Final Report. The parties' response to our findings is attached as Exhibit A (Parties' Response),⁸ and the HPC's analysis of this response is attached as Exhibit B.

This report is organized into five parts. Part I outlines our analytic approach and the data we utilized. Part II describes the parties to these CMIRs and their goals and plans for undertaking the transactions. Parts III and IV then present our findings. Part III reports on the parties' baseline performance leading up to the transactions, and Part IV reports on the

MEDICAL CENTER, NOTICE OF MATERIAL CHANGE TO THE HEALTH POLICY COMM'N (Oct. 2, 2015), AS REQUIRED UNDER MASS. GEN. LAWS ch. 6D § 13, *available at* <http://www.mass.gov/anf/docs/hpc/material-change-notices/20160114-metrowest-bidmc-hmfp-mcn.pdf> (collectively BIDMC-HMFP-METROWEST NOTICE OF MATERIAL CHANGE).

⁵ Tufts Medical Center (Tufts MC) would remain MetroWest's preferred tertiary referral partner for pediatric medicine.

⁶ *See* MASS. HEALTH POLICY COMM'N, MINUTES OF THE HEALTH POLICY COMM'N (Dec. 16, 2015), *available at* <http://www.mass.gov/anf/budget-taxes-and-procurement/oversight-agencies/health-policy-commission/public-meetings/board-meetings/20160120-commission-document-board-minutes-for-december-16-2015.pdf> (approving continuation of the Cost and Market Impact Reviews of the BIDCO-NEBH-NEBCIO contracting affiliation and BIDCO-MetroWest contracting affiliation); MASS. HEALTH POLICY COMM'N, MINUTES OF THE HEALTH POLICY COMM'N (Mar. 2, 2016), *available at* <http://www.mass.gov/anf/budget-taxes-and-procurement/oversight-agencies/health-policy-commission/public-meetings/board-meetings/20160302-board-minutes.pdf> (approving continuation of the Cost and Market Impact Review of the BIDMC-HMFP-MetroWest clinical affiliation).

⁷ MASS. HEALTH POLICY COMM'N, REVIEW OF BETH ISRAEL DEACONESS CARE ORGANIZATION'S PROPOSED CONTRACTING AFFILIATION WITH NEW ENGLAND BAPTIST HOSPITAL AND NEW ENGLAND BAPTIST CLINICAL INTEGRATION ORGANIZATION (HPC-CMIR-2015-1) AND BETH ISRAEL DEACONESS CARE ORGANIZATION'S PROPOSED CONTRACTING AFFILIATION AND BETH ISRAEL DEACONESS MEDICAL CENTER'S AND HARVARD MEDICAL FACULTY PHYSICIANS' PROPOSED CLINICAL AFFILIATION WITH METROWEST MEDICAL CENTER (HPC-CMIR-2015-2 AND HPC-CMIR-2016-1), PURSUANT TO M.G.L. C. 6D, § 13 PRELIMINARY REPORT (July 27, 2016), *available at* <http://www.mass.gov/anf/budget-taxes-and-procurement/oversight-agencies/health-policy-commission/material-change-notices-cost-and-market-impact-reviews/bidco-preliminary-cmir.pdf> [hereinafter Preliminary Report].

⁸ RESPONSE ON BEHALF OF BETH ISRAEL DEACONESS CARE ORGANIZATION, BETH ISRAEL DEACONESS MEDICAL CENTER HARVARD MEDICAL FACULTY PHYSICIANS AT BETH ISRAEL DEACONESS MEDICAL CENTER, METROWEST MEDICAL CENTER, AND NEW ENGLAND BAPTIST HOSPITAL AND NEW ENGLAND BAPTIST CLINICAL INTEGRATION ORGANIZATION TO THE COST AND MARKET IMPACT REVIEW PRELIMINARY REPORT ISSUED BY THE HEALTH POLICY COMMISSION REGARDING HPC-CMIR-2015-1, HPC-CMIR-2015-2, AND HPC-CMIR-2016-1 (Aug. 19, 2016) [hereinafter Parties' Response].

projected impact of the proposed transactions on that baseline. We conclude in Part V. Below is a summary of the findings presented in Parts III and IV:

- 1. Cost and Market Baseline Performance:** BIDCO has significant market share both statewide and in its local service areas, and it has grown rapidly in recent years. BIDCO is now the second largest hospital network in the state, although its commercial inpatient market share statewide is only slightly over one-third (36%) that of the largest provider system, Partners HealthCare System (Partners). NEBH has very large market share for orthopedic and musculoskeletal services, with its inpatient share of these services rivaling that of Partners. While MetroWest continues to be an important local provider, it has lost significant commercial volume in recent years. In the most recent available data, BIDCO, MetroWest, and NEBH/NEBCIO had low to mid-range hospital and physician prices and comparatively efficient medical spending. However, these data may not yet fully reflect the recent growth of the BIDCO network, and it will be important to continue to monitor the parties' prices and spending levels going forward.
- 2. Care Delivery and Quality Baseline Performance:** All of the parties have sought to develop structures to support care delivery and quality improvement initiatives, although their approaches vary significantly, with BIDCO focused on supporting members' risk contract performance, NEBH focused on optimizing patient care processes, and MetroWest implementing targeted quality improvement programs using data analytics provided by its parent corporation. On most standard quality measures, both BIDCO hospitals and physician groups tend to be at or above the state's average performance, but performance across BIDCO hospitals and physician groups on individual measures varies significantly. NEBH performs exceptionally well on measures most relevant to its core orthopedic and musculoskeletal services, both compared to state averages and to the BIDCO hospitals. MetroWest generally performs close to the state average, with some strengths and weaknesses relative to BIDCO hospitals and local comparators.
- 3. Access Baseline Performance:** The BIDCO community hospitals and MetroWest are important safety net providers for their communities, providing greater shares of services to Medicaid and Medicare patients than many other local community hospitals. In contrast, both BIDMC and NEBH serve lower proportions of government payer patients, and NEBH provides a very low percentage of orthopedic and musculoskeletal services to Medicaid patients based on the most recent available data. MetroWest and some of the BIDCO community hospitals (e.g., Cambridge Health Alliance and Anna Jaques Hospital) are also significant providers of behavioral health services to their communities.
- 4. Cost and Market Impact:** These transactions would increase market concentration and solidify BIDCO's position as the Commonwealth's second largest hospital network. The NEBH transaction would make BIDCO the state's largest provider network for certain inpatient orthopedic and musculoskeletal services, and the MetroWest transactions would expand the BIDCO network westward. These changes could strengthen BIDCO's ability to leverage higher prices and other favorable contract

terms in negotiations with commercial payers. As NEBCIO physicians join BIDCO contracts, we anticipate small to moderate increases to health care spending of up to \$4.5 million annually for the three largest commercial payers combined; changes in MetroWest physician prices are not anticipated to significantly impact spending. To the extent that BIDCO both retains its historically low to mid-range prices and is successful in redirecting volume from higher-priced systems to BIDCO hospitals and physician groups, there is the potential to reduce health care spending. However, BIDCO has had limited success to date in significantly redirecting commercially insured patients from higher-priced systems.

5. **Care Delivery and Quality Impact:** BIDCO's focus on supporting its members' risk contract performance has resulted in a set of targeted care delivery reform programs, but uniform quality improvement across BIDCO providers is not evident in the most recent available data. It is therefore not yet clear that joining BIDCO will result in measurable quality improvement for MetroWest, NEBH, or NEBCIO. NEBH's strong quality performance for orthopedic and musculoskeletal care suggests that BIDCO hospitals could benefit from adopting NEBH's care delivery systems, but the parties have not yet developed details of their plans for collaboration. While MetroWest's performance on most quality measures is already comparable to that of many BIDCO community hospitals, MetroWest's clinical affiliation with BIDMC and HMFP has the potential to improve patient experience and clinical quality for specific services that the parties have committed to enhance.
6. **Access Impact:** The parties have stated a commitment to increase access to NEBH's high-quality orthopedic and musculoskeletal care for Medicaid patients; however, the timeline for expanding Medicaid access is not yet clear. The service enhancements contemplated in the MetroWest transactions may increase access to certain needed services in MetroWest's service area. The parties have also stated a commitment to maintain MetroWest's status as an important provider of behavioral health services to the communities it serves.

In summary, we find that these transactions are anticipated to increase market concentration, solidify BIDCO's position as the second largest hospital network in the state, and could strengthen BIDCO's ability to leverage higher prices and other favorable contract terms. However, BIDCO's market share will remain far smaller than the dominant system in the state for most services. We also anticipate a small to moderate increase in spending (up to \$4.5 million annually) from changes to physician prices as the NEBCIO physicians shift to BIDCO rates.

To the extent that BIDCO retains its position as a low- to mid-priced provider network and is successful in redirecting care from higher-priced systems, there is some potential for savings. However, BIDCO has had limited success to date in significantly redirecting commercially insured patients from higher-priced systems. We also find that the MetroWest transactions may increase access to certain services, and that there is some potential for quality and care delivery improvement for both the NEBH and MetroWest transactions. The likelihood of such quality improvement will largely depend on the extent to which the parties capitalize

on their respective strengths and make sufficient resource commitments to execute on their stated plans.

Recognizing the potential for both positive and negative impacts from these transactions, the HPC finds ongoing monitoring of the parties' performance necessary, including the parties' progress on stated goals of the transactions.⁹ The HPC will assess the parties' performance over time through its authority to monitor the health care market including, but not limited to, its authority to require specific written and oral testimony in connection with the HPC's annual cost trends hearings (M.G.L. c. 6D, § 8), to evaluate future transactions in light of the parties' historic performance (c. 6D, § 13), and to potentially require a performance improvement plan or cost and market impact review if a party is identified by CHIA as having excessive health care cost growth (c. 6D, § 10). However, based on our findings and the Parties' Response, the HPC declines to refer this report to the Attorney General's Office (AGO) pursuant to MASS. GEN. LAWS c. 6D.

⁹ As the parties state, "It is certainly reasonable to expect that Parties will, in time, have more data to support their positions" that BIDCO membership and BIDMC clinical affiliations will lead to improved efficiency and quality performance, and that the proposed transactions will also yield positive results in these "impact domains." Parties' Response, Exh. A, at 6.

CONCLUSION

As described in Section **Error! Reference source not found.**, the HPC found:

1. **Cost and Market Impact:** These transactions would increase market concentration and solidify BIDCO's position as the Commonwealth's second largest hospital network. The NEBH transaction would make BIDCO the state's largest provider network for certain inpatient orthopedic and musculoskeletal services, and the MetroWest transactions would expand the BIDCO network westward. These changes could strengthen BIDCO's ability to leverage higher prices and other favorable contract terms in negotiations with commercial payers. As NEBCIO physicians join BIDCO contracts, we anticipate small to moderate increases to health care spending of up to \$4.5 million annually for the three largest commercial payers combined; changes in MetroWest physician prices are not anticipated to significantly impact spending. To the extent that BIDCO both retains its historically low to mid-range prices and is successful in redirecting volume from higher-priced systems to BIDCO hospitals and physician groups, there is the potential to reduce health care spending. However, BIDCO has had limited success to date in significantly redirecting commercially insured patients from higher-priced systems.
2. **Care Delivery and Quality Impact:** BIDCO's focus on supporting its members' risk contract performance has resulted in a set of targeted care delivery reform programs, but uniform quality improvement across BIDCO providers is not evident in the most recent available data. It is therefore not yet clear that joining BIDCO will result in measurable quality improvement for MetroWest, NEBH, or NEBCIO. NEBH's strong quality performance for orthopedic and musculoskeletal care suggests that BIDCO hospitals could benefit from adopting NEBH's care delivery systems, but the parties have not yet developed details of their plans for collaboration. While MetroWest's performance on most quality measures is already comparable to that of many BIDCO community hospitals, MetroWest's clinical affiliation with BIDMC and HMFP has the potential to improve patient experience and clinical quality for specific services that the parties have committed to enhance.
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In summary, we find that these transactions are anticipated to increase market concentration, solidify BIDCO's position as the second largest hospital network in the state, and could strengthen BIDCO's ability to leverage higher prices and other favorable contract terms. However, BIDCO's market share will remain far smaller than the dominant system in the state for most services. We also anticipate a small to moderate increase in spending (up to

\$4.5 million annually) from changes to physician prices as the NEBCIO physicians shift to BIDCO rates.

To the extent that BIDCO retains its position as a low- to mid-priced provider network and is successful in redirecting care from higher-priced systems, there is some potential for savings. However, BIDCO has had limited success to date in significantly redirecting commercially insured patients from higher-priced systems. We also find that the MetroWest transactions may increase access to certain services, and that there is some potential for quality and care delivery improvement for both the NEBH and MetroWest transactions. The likelihood of such quality improvement will largely depend on the extent to which the parties capitalize on their respective strengths and make sufficient resource commitments to execute on their stated plans.

Recognizing the potential for both positive and negative impacts from these transactions, the HPC finds ongoing monitoring of the parties' performance necessary, including the parties' progress on stated goals of the transactions.¹⁰ The HPC will assess the parties' performance over time through its authority to monitor the health care market including, but not limited to, its authority to require specific written and oral testimony in connection with the HPC's annual cost trends hearings (M.G.L. c. 6D, § 8), to evaluate future transactions in light of the parties' historic performance (c. 6D, § 13), and to potentially require a performance improvement plan or cost and market impact review if a party is identified by CHIA as having excessive health care cost growth (c. 6D, § 10). However, based on our findings and the Parties' Response, the HPC declines to refer this report to the AGO pursuant to MASS. GEN. LAWS c. 6D.

¹⁰ As the parties state, "It is certainly reasonable to expect that Parties will, in time, have more data to support their positions" that BIDCO membership and BIDMC clinical affiliations will lead to improved efficiency and quality performance, and that the proposed transactions will also yield positive results in these "impact domains." Parties' Response, Exh. A, at 6.