



October 10, 2013

David Seltz, Executive Director
Health Policy Commission
Two Boylston Street, 6th Floor
Boston, MA 02116

re: Annual Cost Trends Hearings – Provider Consolidation

Dear Director Seltz:

On behalf of a coalition of employers and health plans concerned about the rising cost of health care in the Commonwealth, we are writing to offer comments on the Health Policy Commission's 2013 annual health care cost trends hearing, specifically concerns related to provider consolidations.

Keeping health care affordable is *the* challenge facing employers. The annual cost trends hearings are essential for examining underlying health care costs and holding the entire system accountable to ensure that health plans, hospitals and other providers are making health care more affordable and meeting the cost benchmarks included in the Payment Reform Law (Chapter 224 of the Acts of 2012).

The current proposed mergers, acquisitions and clinical affiliations among hospitals, physicians and other providers have the potential to raise health care costs, as both state and national data have shown that typically when providers come together they increase their prices. It is important that there are sufficient safeguards in place to ensure that these changes truly benefit employers and consumers through better integration, improved care and lower costs. As these changes have the potential to reshape the health care system for years to come, we would urge the Commission to adopt the following criteria in examining provider consolidations:

1. Employers, Consumers & Patients Should Benefit Through Lower Health Care Costs, Clinical Integration and Improve Quality

- In their notice of material change, providers should provide the following information on their costs:
 - Current Total Medical Expense (TME) & Anticipated Changes in TME.
 - Current Relative Price (RP) & Anticipated Changes in RP.
 - Current Contract Prices & Any Proposed Changes in Contracting Practices.
- To promote clinical integration and improve quality, providers should include in their material change notices the structures they expect to put in place to:
 - Enhance quality as measured against nationally recognized measures.
 - Improve efficiency.
 - Coordinate services across facilities.
 - Direct care to the most appropriate and lowest-cost setting.
 - Enable all providers and facilities within a system to access clinical records.
 - Avoid duplication of services.

2. All Proposals Should be Transparent

- The Health Policy Commission staff should issue a report on the application of all entities that file notice seeking to consolidate, merge or affiliate, including the rationale for whether or not to conduct a cost & market impact review.

3. All Entities that Merge, Affiliate or Consolidate Should be Subject to Regular Monitoring & Annual Reporting

Annual Reporting:

- Entities that consolidate, merge or affiliate should report annually to the Health Policy Commission comparing the anticipated benefits and the actual results of proposed changes in costs and clinical integration efforts including:
 - Changes in TME, Relative Price & Contract Prices.
 - Changes in referral patterns, including efforts to coordinate care across facilities and avoid duplication, whether care is being directed to high-cost settings, and measures that have been undertaken to direct care to the most appropriate & lowest-cost setting.
 - Changes in patient volume and payer mix.

Oversight at the Annual Cost Trend Hearings:

- As part of its annual cost trends report & public hearings, the Health Policy Commission should examine
 - Whether the actual results align with the anticipated benefits of entities that had proposed consolidating, merging or affiliating.
 - The impact of the proposed change on access to lower-cost providers & the statewide cost benchmark.
 - Data should be utilized from existing databases, including the Center for Health Information & Analysis.

The goal of provider consolidation should be an expectation that combined entities truly function as a system, improving care and promoting clinical integration, as well as greater efficiency and lower costs. A system of continued accountability is necessary to ensure accountability in the health care system and that employers, consumers and taxpayers benefit through lower costs and better care.

We appreciate the opportunity to offer our comments and we look forward to the Commission's final report.

Sincerely,



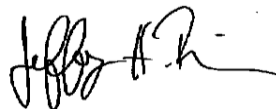
Kristen Lepore, Vice President, Government Affairs Associated Industries of Massachusetts



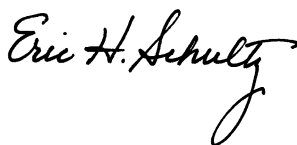
Jon B. Hurst, President
Retailers Association of Massachusetts



Dave Shore, President
Massachusetts Association of Health Underwriters



Jeff Rich, CEO
Health Services Administrators



Eric Schultz, President and CEO
Harvard Pilgrim Health Care



James Roosevelt, Jr., President and CEO
Tufts Health Plan



W. Patrick Hughes, President & CEO
Fallon Community Health Plan



Stephen Farrell, CEO
UnitedHealthcare of New England



Lora Pellegrini, Esq., President & CEO
Massachusetts Association of Health Plans

cc: Stuart Altman, Ph.D., Chairman, Health Policy Commission
Wendy Everett, Sc.D., President of NEHI, Vice Chair, Health Policy Commission
Carole Allen, M.D.
David Cutler, Ph.D., Otto Eckstein Professor of Applied Economics, Department of Economics, Harvard University
Paul Hattis, M.D., J.D., M.P.H., Senior Associate Director of the MPH Program, Tufts University School of Medicine
Richard C. Lord, President & CEO, Associated Industries of Massachusetts
John Polanowicz, Secretary, Executive Office of Health and Human Services
Glen Shor, Secretary, Executive Office for Administration and Finance
Marylou Sudders, M.S.W., Associate Professor of Macro Practice and Chair, Health & Mental Health, Boston College Graduate School of Social Work
Veronica Turner, Executive Vice President, 1199SEIU
Jean Yang, Executive Director, Commonwealth Health Insurance Connector Authority
Thomas O'Brien, Assistant Attorney General, Health Care Division Chief, Office of Attorney General
Martha Coakley