Testimony of Deb Wilson, President & CEO, Lawrence General Hospital
HPC Cost Growth Trend Hearing
Wednesday, March 11, 2020
Gardner Auditorium at the State House

On behalf of Lawrence General Hospital and the communities of Lawrence, Andover, North Andover, Methuen, and Haverhill that we serve, I submit this testimony to the Health Policy Commission. We regret that we cannot appear in person to testify. This is the first year since these hearings began that we have not been able to testify in person. This is in no way a reflection of its lack of importance. To the contrary, this year above all others, the cost growth benchmark is threatening our services and the vital access we provide.

We are experiencing a severe and extraordinarily negative impact from the cost growth benchmark. Combined with our limited market clout, the benchmark further impedes our capacity to adequately fund required organizational resources through rate increases. It was not the intention of the cost growth benchmark to perpetuate unwarranted and wide disparities, but that is precisely what it has done.

Health plans employ the benchmark in their negotiations with providers like Lawrence General the very same way they use it with providers who rank highest on the statewide relative price scale. The outcome to our Hospital is extremely limited new revenue each year. That is destabilizing for hospitals like ours and this year it is threatening access to services we deliver in high volume to vulnerable low-income populations and our entire region.

While it may be lauded for achieving its goal of containing costs, it has given rise to a policy that starves providers who have long been paid the lowest rates by limiting increases to as low as less than 2%, and only up to 3% on woefully low bases rates.

Lawrence General Hospital is ranked 3rd lowest paid hospital in the Commonwealth by the Center for Health Information and Analysis. In 2015 we were paid 75% of the statewide average price. In 2016, we were paid 73%, and in 2017, the most recent year for which we have data, we remain at 73% of the statewide average.

The value of our rate increases has averaged substantially less than the cost growth benchmark and in the Hospital's 2020 fiscal year we have only $1.9 million in total new health insurance rate revenue to meet the growing costs and investments required to run a major acute care hospital.

Taken together with the pressure on MassHealth to lead the way in limited growth in spending to substantially below the benchmark, Lawrence General, which has the single highest exposure to MassHealth rates of any community hospital, has experienced more than a $15.2 million average annual reduction in Medicaid revenue over the past few years for the very same services. The net difference is a loss of revenue of $13.3 million from FY2018 to 2019 and the same from 2019 to

2020. This is unsustainable. It is no wonder that we are at the tipping point with days cash on hand and other important operating metrics.

The cost to deliver acute care is outpacing the revenue increases we receive.

The benchmark is a blunt tool used by health plans to limit rate increases and there is no consideration or policy guidance given to ensure that it does not lock the lowest paid providers in at the lowest rates with only cost growth benchmark growth in rates. While Chapter 224 that established the cost growth benchmark also established the Price Variation Commission to address rate disparities, neither the legislature nor the administration has successfully advanced a solution set the Commission recommended. Various band-aids, none of which offers structural or long-term remedies with sustaining revenue, have been advanced.

If you examine the ranking of lowest paid hospitals in the Commonwealth, you will find that those that are paid the lowest are independent, with 25% or more of their gross patient service revenue coming from Medicaid. These are the hospitals with the most limited market clout, serving the lowest income, diverse populations in cities. They are Lawrence, Brockton, Everett/Revere/Somerville/ Cambridge, Springfield and Holyoke whose hospitals are Lawrence General, Brockton Hospital, Cambridge Health Alliance, Mercy Medical Center and Holyoke Medical Center.

These hospitals provide vital access in communities it is fair to say no other provider is planning to serve. If all of the health plans in Massachusetts were to pay us and all of the other providers who are paid less than 90% of the average relative price, at that level, it could be done for less than $50 million annually, within the current cost growth benchmark and with plenty of headroom for other cost growth.

While the overarching philosophy of the cost growth benchmark is good statewide policy that advances health care affordability, it has not advanced affordability for our region. Starving the most efficient providers of resources costs consumers in the Commonwealth because it limits our capacity.

Underpaid, urban-based, community hospitals, that serve equal proportions of commercially insured and low-income populations are being shortchanged and cannot sustain access on the limited new resources made available to hospitals. Sustaining the role we play, particularly in a Commonwealth where health equity and ensuring that all populations have access to quality care, is our goal.

If policy making is not made to ensure fair treatment and improvements in rates paid to this group of vital access providers, our services will be rationed, and the potential for real savings from supporting providers like us where access is efficient, high quality and a model for cost saving, will both be lost forever.

Thank you for your thoughtful consideration.

BACKGROUND ON LAWRENCE GENERAL

Lawrence General Hospital, located 29 miles north of Boston, is by every measure a thriving medical center. Annually, we serve 70,000 emergency patients in our Level 3 Trauma Center and 12,000 inpatients. We have 380,000 outpatient visits and net patient service revenue of $250 million. We are the *first choice* for residents of the Andovers, the City of Lawrence and other surrounding towns for community appropriate health care.

Our most significant challenges are our very low relative rates of payment from commercial payers, and very high exposure to Medicaid for which we are now at risk. In spite of these significant challenges we have a strategy for success that is working.

If we were paid the cost growth benchmark, a 3.1% increase year over year, even if other providers in the Commonwealth received increases of half that, we would never get to average relative hospital price in our lifetimes.

With the strategic investments we have made in recent years, Lawrence General is experiencing consistent growth by every measure. Both case mix and volume are up - substantially. Investments in state of the art surgical suites at the Hospital and our new Andover Medical Center on route 93 are keeping patients local. This enhanced local access has allowed us to stem some of the outmigration to Boston and retain care at our high value, high quality hospital.

Our growth tells a valuable story. in the community hospital settings know it is just a matter of resources placed in the hands of efficient operators.

When patients choose us at Lawrence General over higher paid providers it saves the Commonwealth. Every patient we attract and care for at Lawrence General saves costs. The difference between a patient cared for at a hospital paid 73% of the average price as we are, and the highest cost Boston teaching hospital is as much as $20,000 per case. And that savings adds up.

Whether it is an angioplasty or a hip replacement, the savings quickly adds up to hundreds of millions of dollars. For example, last year we cared for 1,900 patients whose case weights – which measures intensity of care – were high (over 3.0 for surg MSDRG, and over 1.6 for medical MSDRG). If those 1,900 patients received their care at the highest priced Boston hospital it would have cost 38 million dollars more than it did at Lawrence General. If that care was delivered at one that was average for Boston, it would have cost over 20 million dollars more.