

# **MINUTES OF THE HEALTH POLICY COMMISSION**

**Meeting of January 31, 2018**

**MASSACHUSETTS HEALTH POLICY COMMISSION**

---

**Date of Meeting:** Wednesday, January 31, 2018

**Start Time:** 12:05 PM

**End Time:** 2:18 PM

---

	<b>Present?</b>	<b>ITEM 1: Approval of Minutes</b>	<b>ITEM 2: Executive Session</b>
Stuart Altman*	X	X	X
Don Berwick	A	A	A
Martin Cohen	X	X	2nd
David Cutler	X	X	X
Wendy Everett	X	2nd	M
Timothy Foley	X	X	X
Rick Lord	A	A	A
Ron Mastrogiovanni	X	X	X
Sec. Marylou Sudders	X	M	X
Sec. Michael Heffernan	X	X	X
<b>Summary</b>	<b>8 Members Attended</b>	<b>Approved with 8 votes in the affirmative</b>	<b>Approved with 8 votes in the affirmative</b>

Presented below is a summary of the meeting, including time-keeping, attendance, and votes.

\*Chairman

(M): Made motion; (2nd): Seconded motion; (ab): Abstained from Vote; (A): Absent from Meeting

## Proceedings

A regular meeting of the Health Policy Commission (HPC) was held on January 31, 2018 at 12:00 PM. A full recording of the meeting is available [here](#).

Commissioners present included Dr. Stuart Altman (Chair); Dr. Wendy Everett (Vice Chair); Mr. Martin Cohen; Dr. David Cutler; Mr. Ron Mastrogiovanni; Mr. Timothy Foley; Secretary Marylou Sudders, Executive Office of Health and Human Services; and Ms. Elizabeth Denniston, designee for Secretary Michael Heffernan, Executive Office of Administration and Finance.

Dr. Altman called the meeting to order at 12:05 PM and welcomed those present.

### ITEM 1: Approval of Minutes from January 3, 2018

Dr. Altman solicited comments on the minutes from January 3, 2018. Seeing none, he called for a motion to approve the minutes. **Secretary Sudders** made a motion to approve the minutes. **Dr. Everett** seconded. The motion was unanimously approved.

Dr. Altman provided a brief overview of the day's meeting. He introduced Mr. David Seltz, Executive Director, to review the formal agenda.

Mr. Seltz noted that the day's meeting would provide further detail on many of the topics introduced at the December 2018 Board meeting. He noted that a large portion of the meeting would focus on a pending cost and market impact review (CMIR) and the 2017 Cost Trends Report.

### ITEM 2: Market Oversight and Transparency

Mr. Seltz provided a brief summary of the presentation and introduced Ms. Kate Mills, Policy Director for Market Performance, and Ms. Megan Wulff, Deputy Policy Director for Market Performance.

#### ITEM 2a: Update on Notices of Material Change

Ms. Wulff provided an overview of the material change notices (MCNs) received to date. For more information, see slides 8 to 11.

Dr. Cutler noted that many of the transactions involve Shields Health Care Group. He asked whether Shields has historically been involved in a large number of MCNs with distinct providers. Ms. Mills responded that the HPC has received a number of MCNs involving Shields. She added that this has been true of the Determination of Need (DoN) process, as well. She stated that, as a company, Shields has expanded its business model.

Mr. Seltz added that there has been a pattern of joint ventures between Shields and other providers in the MCN filings.

Mr. Foley asked for an update on the transaction involving Cape Cod Healthcare and Quest Diagnostics of Massachusetts. Ms. Mills responded that the HPC recently received the

transaction documents from the parties. She stated that staff is working to move forward with the review.

## **ITEM 2b: Discussion of Proposed Cost and Market Impact Review (CMIR)**

Ms. Mills provided an overview of the proposed transaction involving CareGroup, Lahey Health System, Seacoast Regional Health System, Beth Israel Deaconess Care Organization (BIDCO), and Mount Auburn Cambridge Independent Physicians Association (MCIPA). Ms. Mills stated that the HPC recently received a large amount of material pertaining to this pending transaction. For more information, see slides 13-15.

Mr. Mastrogiovanni asked whether the HPC collects pro forma statements as part of the filing. Ms. Mills responded that the HPC requires a large amount of information and documents, including forecasts on a variety of time horizons. Mr. Mastrogiovanni encouraged the HPC to more clearly define and report on the acquisition costs of transactions under review.

Dr. Cutler asked whether the parties provided any information on the history behind the structure of “NewCo.” Ms. Mills responded that this information is likely part of the data recently provided to the HPC.

Ms. Mills noted that the Harvard Medical Faculty Physicians, a group of physicians, are part of BIDCO but not part of the proposed merger. Dr. Altman asked for confirmation that there was not an organization that contracted on behalf of all Harvard-affiliated physicians, and Ms. Mills confirmed that there was not, and that various organizations contracted on behalf of different Harvard-affiliated medical groups. Dr. Everett clarified that the Harvard Medical Faculty Physicians contract through BIDCO.

Ms. Mills discussed the rapid growth of BIDCO in recent years. For more information, see slide 16.

Dr. Altman asked staff to provide further clarity on BIDCO’s future operations. Mr. Seltz noted that there are parts of BIDCO that will not be incorporated into NewCo. He stated that the HPC is determining the impact of the proposed transaction on these entities. Ms. Mills provided a brief summary of the current operations at BIDCO.

Mr. Seltz noted that the HPC would review whether there is a difference between rates (prices for care) and care redirection for hospitals owned by Beth Israel Deaconess Medical Center and those contracting with BIDCO but not corporately integrated.

Dr. Altman asked that this type of analysis be expanded for the other parties, including Lahey Health. Mr. Seltz briefly reviewed the operating structure of Lahey Health.

Ms. Mills noted that Lahey Health and BIDCO are two very different systems. She stated that the HPC is examining how the entities plan on integrating their cultures. Dr. Altman echoed this statement, noting that he is interested in how the culture will align relative to restructured contracting relationships.

Secretary Sudders stated that the HPC should also examine the relationship of the transaction on residency programs at these various academic medical centers.

Ms. Mills provided an overview of the other entities that are part of the proposed transaction. For more information, see slides 17-19.

Mr. Mastrogiovanni asked whether the HPC is examining the historic and projected financial performance of these organizations. Ms. Mills responded in the affirmative and reviewed the process used by the HPC and its experts to assess this data. Mr. Seltz reminded Commissioners that the Board can review the confidential information provided by the parties as part of the CMIR.

Dr. Everett asked for clarification on the impact of the transaction for employed versus contracting physicians. She further asked whether employed physicians would remain employed by the parties or move to a new contracted physician group. Mr. Seltz stated that staff is processing this information and evolving ways to think about the various relationships. He noted that staff would provide Commissioners with information in this area.

Ms. Mills reviewed the inpatient general acute care primary service areas for BIDCO. For more information, see slide 20.

Ms. Mills provided background on Lahey Health, Mount Auburn Hospital, and MACIPA. For more information, see slides 21-23.

Ms. Mills reviewed the combined inpatient general acute care primary service areas for all potential NewCo hospitals. For more information, see slide 24. She noted that this system would cover a large portion of eastern Massachusetts.

Mr. Mastrogiovanni asked how this service area compares to that of Partners HealthCare System. Ms. Mills stated that the eastern Massachusetts service areas for these two systems would be very similar.

Ms. Mills reviewed some of the parties' claims about the transaction. For more information, see slides 25-27.

Dr. Altman stated that there are two fundamental arguments about the creation of a new system. First, managing multiple components effectively may lead to a redistribution of where services are provided, resulting in more efficient care, although in some cases this may result in less provision of care at community sites. Second, large systems may instead leave care delivery alone and instead use their bargaining power to secure higher rates and lower supplier costs. Dr. Altman noted that these two approaches lead to different outcomes and should be assessed.

Mr. Seltz stated that the HPC has asked the parties for clarification on the proposed distribution of services post-transaction to understand potential efficiency improvements. He noted that many of these changes will take time to implement within the system.

Dr. Cutler asked whether the parties had reported any proposed system savings as a result of the transaction for a five-year time horizon. Ms. Mills responded that she would be happy to confidentially provide this information to Board members.

Ms. Mills noted that the HPC has requested information from other market participants and state agencies regarding this transaction. She noted that, due to time constraints, she would table slides 28-29.

Dr. Everett asked for clarification on how the HPC communicates with the parties for information requests. Ms. Mills provided an overview, noting that the parties were jointly filing large portions of the data.

Ms. Mills presented information on changes to statewide market shares as a result of the proposed transaction. She noted that NewCo would have a statewide market share much closer to that of Partners Healthcare System across various markets. For more information, see slides 30-33.

Mr. Mastrogiovanni asked how accurate the HPC's projected market share changes have been for past transactions. Ms. Mills responded that the HPC's projections have closely mirrored the actual market share post-transaction. Mr. Seltz added that, statewide, the HPC is seeing trends towards consolidation; he noted that this transaction will be the largest that the HPC has reviewed in terms of scale.

Mr. Foley asked for clarification on the total Medicaid population of NewCo. Ms. Mill responded that this analysis is currently in progress.

Mr. Cohen observed that a lot of the parties to the transaction have filed MCNs in the past. He recommended that the HPC examine historic transactions to understand how the parties performed on stated goals. He further stated that the HPC should conduct an analysis on the impact of the proposed transaction on behavioral health services.

Mr. Cohen noted that this transaction will result in a second dominant player in the market with a large market share. He stated that the HPC should examine how the introduction of such a player has impacted other industries. Dr. Cutler noted that there is almost no economic research and literature on this specific question.

Mr. Foley noted that the parties had claimed that they planned to attract patients away from higher-priced providers, but he urged the HPC to examine whether the parties would attract patients from lower-cost providers as well.

Dr. Altman asked for any additional questions. Seeing none, he thanked staff for their presentation.

## **ITEM 2c: 2017 Health Care Cost Trends Report**

Mr. Seltz noted that staff reviewed preliminary findings from the 2017 Cost Trends Report at the December 2017 Board meeting. He introduced Dr. David Auerbach, Director, and Ms. Sara

Sadownik, Deputy Director, Research and Cost Trends to present on additional data and recommendations.

Mr. Seltz reviewed the design approach for the 2017 Report. For more information, see slides 35-36.

Dr. Auerbach presented on new research related to performance variation among provider organizations. For more information, see slides 37-43.

Dr. Altman asked whether the information on slide 40 was risk adjusted. Dr. Auerbach responded in the affirmative.

Dr. Altman asked for clarification on how performance varies in the Medicaid population across different delivery systems. He noted that this information would allow the HPC to determine how much variation is caused by the population being served. Secretary Sudders noted that this is an area of interest to the Executive Office of Health and Human Services (EOHHS). She stated that, as MassHealth maps individuals to accountable care organizations (ACOs), it is finding that many individuals do not have a primary care physician.

Dr. Altman noted that it would be beneficial to separate the reason for performance variation into (1) the type of patient and (2) the delivery system. Dr. Auerbach noted that the literature may provide guidance on such an analysis. Mr. Seltz noted that this is an early analysis that the HPC is continuing to develop.

Dr. Auerbach reviewed findings related to alternative payment methodologies (APMs). For more information, see slides 45-47.

Dr. Auerbach provided an overview of key findings and metrics from the 2017 Cost Trends Report. For more information, see slides 48-49.

On slide 49, Dr. Altman noted that the HPC should add information that benchmarks the Commonwealth's performance against the nation. Mr. Seltz noted that some of this information is included in the draft performance metric dashboard for the 2017 Cost Trends Report.

Mr. Seltz reviewed the policy priorities for the 2017 Cost Trends Report. He noted that these goals center around (1) strengthening market functioning and system transformation and (2) promoting an efficient, high-quality health care delivery system. For more information, see slides 54-60.

Mr. Seltz reviewed recommendations around pharmaceutical spending. He noted that several states have acted to ensure further transparency around drug pricing. He stated that these recommendations span both pharmaceutical companies and pharmacy benefit managers.

Secretary Sudders recommended changing the language in this recommendation from "closed formulary" to "value-based purchasing arrangement." She provided further clarification around this recommendation. She noted that information about MassHealth actions related to pharmaceuticals is available on MassHealth's website.

Dr. Cutler asked whether there was any legislative follow-up to the HPC's 2016 recommendation around out-of-network billing. Mr. Seltz noted that the HPC presented to the legislature on this topic. He stated that there were further recommendations in this area from the Provider Price Variation Report.

Dr. Altman encouraged the HPC to publish information specifically on out-of-network billing for ambulance providers. Mr. Seltz noted that this was an area of continued research.

In discussing health care transparency, Mr. Seltz highlighted a new price transparency website from the Center for Health Information and Analysis (CHIA).

Dr. Altman reflected that the payment system would need to change to address social determinants of health (SDH). He noted that the HPC should be mindful of the language in this recommendation. Mr. Seltz noted that staff were working to hone this recommendation to be more specific.

Dr. Everett stated that there should be a section within the SDH recommendation that ties them to alternative payment methodologies. Dr. Altman echoed this sentiment.

Dr. Everett asked whether the HPC could construct a session during the Cost Trends Hearing (CTH) that addressed unnecessary utilization in an innovative way. She noted that this session would help the Board understand why the Commonwealth is not seeing changes in this area despite previous recommendations and large amounts of supporting data.

Secretary Sudders noted that the recommendation on unnecessary utilization has been a part of the Cost Trends Report since 2013. She noted that the HPC should work to ensure that this recommendation is more targeted to ensure measurable outcomes.

Dr. Cutler stated that, ahead of the 2018 CTH, the HPC should release recent data, by institution, on rates of post-acute care use. He noted that the HPC can then ask specific organizations to comment on these numbers at the CTH. Mr. Seltz noted his appreciation for this idea. He stated that the HPC can continue to be targeted and specific on the questions asked in advance of the hearing.

Dr. Everett recommended that this topic be discussed in detail at the committee level.

Mr. Seltz noted that, with the launch of the MassHealth ACO Program, the HPC expects a large increase in the number of individuals covered by APMs. Dr. Altman stated that additional action on the alignment of APMs would require the collaboration of both employers and payers.

Mr. Foley said that he appreciated the recommendation focused on the health care workforce. He noted that the training and utilization of front-line caregivers is extremely important.

Mr. Seltz reviewed next steps for the 2017 Cost Trends Report. He noted that the final report will be released in the coming months.

Dr. Altman tabled the motion to issue the 2017 Cost Trends Report until the March 2018 meeting to ensure that Board members had ample time to review the language of the recommendations.



### ITEM 3: Care Delivery Transformation

Given the time constraints, Mr. Seltz tabled the update on the HPC's investment programs.

Mr. Seltz provided an abbreviated update on the HPC's certification programs. He highlighted that, since the last Board meeting, the HPC had certified 17 organizations through the HPC's ACO Certification Program. For more information, see slide 75.

Mr. Cohen asked for clarification on the provisional certification. Mr. Seltz responded that ACOs that were established only for the purposes of participating in the new MassHealth ACO program and did not have any prior risk contract experience as ACOs were eligible to apply for provisional certification from the HPC, per the terms of their contract with MassHealth. The two ACOs that received provisional certification must apply for full certification within one year.

### ITEM 4: Executive Director's Report

Given the time constraint, Mr. Seltz offered an abbreviated Executive Director Report. He reviewed the establishment of the health care cost growth benchmark. For more information, see slides 78-82.

Dr. Cutler asked about data availability for the benchmark hearing. Mr. Seltz noted that the HPC is compiling all available data for the Board.

### ITEM 5: Executive Session

Prior to adjourning the public meeting, Dr. Altman encouraged the staff to incorporate comments from the Board into the 2017 Cost Trends Report and distribute the final draft to commissioners prior to March 2018 meeting.

Dr. Everett noted that the next meeting will take place on March 13 at 12:00 PM. She asked whether the HPC would conduct official business prior to that meeting. Mr. Seltz stated that staff would be in touch about final timing.

Dr. Altman asked for a vote to enter Executive Session to review information on Performance Improvement Plans. Mr. Lois Johnson, General Counsel, provided an overview of the executive session process. She noted that the vote would have to occur by roll call. **Dr. Everett** made a motion to enter executive session. **Mr. Cohen** seconded.

The motion was approved by rollcall vote:

Dr. Everett - Aye

Mr. Cohen - Aye

Dr. Cutler - Aye

Mr. Mastrogiovanni - Aye

Mr. Foley - Aye

Secretary Sudders - Aye

Ms. Denniston - Aye

The public meeting adjourned at 2:18 PM.