

MINUTES OF THE HEALTH POLICY COMMISSION

Meeting of July 2, 2014

MASSACHUSETTS HEALTH POLICY COMMISSION

THE HEALTH POLICY COMMISSION
One Ashburton Place
21st Floor
Boston, MA

THE HEALTH POLICY COMMISSION

Docket: July 2, 2014 12:00PM

1. Approval of Minutes from May 22, 2014 (VOTE)
2. Executive Director Report
3. Cost Trends and Market Performance Update
 - a. Material Change Notices (MCN)
 - b. Preliminary Report on Cost and Market Impact Review (VOTE)
 - c. Submission into Court Authorized Public Comment Process (VOTE)
 - d. Public Comment
 - e. Cost Trends Report: July 2014 Supplement (VOTE)
4. Community Health Care Investment and Consumer Involvement Update
5. Quality Improvement and Patient Protection Update
6. Care Delivery and Payment System Transformation Update
 - a. Final Regulation for Registration of Provider Organization Program (VOTE)
7. Administration and Finance Update
 - a. Final Fiscal Year 2014 Update
 - b. Fiscal Year 2015 Operating Budget (VOTE)
8. Schedule of Next Commission Meeting (July 17, 2014)

HEALTH POLICY COMMISSION

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

Date of Meeting: Wednesday, July 2, 2014

Beginning Time: 12:03 PM

End Time: 3:22 PM

Board Member	Attended	ITEM 1	ITEM 3b	ITEM 3c	ADDITIONAL MOTION	ITEM 3e	ITEM 6a	ITEM 7b
		Approval of Minutes from May 22, 2014	Approval of Issuance of Preliminary CMIR on Partners-Hallmark Transaction	Approval of HPC Submission into Court Authorized Public Comment Period	Approval of Additional Motion Proposed by Dr. Paul Hattis	Approval of Issuance of Cost Trends Report July 2014 Supplement	Approval of Final Regulation for RPO	Approval of HPC FY15 Operating Budget
Carole Allen	Yes	Yes	Yes	Yes	No	Yes (2 nd)	Yes (2 nd)	Yes (2 nd)
Stuart Altman*	Yes	Yes (M)	Yes	Yes (M)	No (M)	Yes (M)	Yes	Yes
David Cutler	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wendy Everett	Yes	Yes (2 nd)	Yes (2 nd)	Yes (2 nd)	No	Yes	Yes (M)	Yes
Paul Hattis	Yes	Yes	Yes	Yes	Yes (2 nd)	Yes	Yes	(ab)
Rick Lord	Yes	Yes	Yes (M)	Yes	No	Yes	Yes	Yes (M)
John Polanowicz	Yes	A	Yes	Yes	No	Yes	Yes	Yes
Glen Shor (Kim Haddad)	Yes	A	Yes	Yes	No	Yes	Yes	Yes
Marylou Sudders	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Veronica Turner	Yes	Yes	(ab)	Yes	No	Yes	Yes	Yes
Jean Yang	Yes	A	Yes	Yes	No	A	A	A
Summary	11 Members Present at the Meeting	Approved with 8 votes in the affirmative	Approved with 10 votes in the affirmative	Approved with 11 votes in the affirmative	Failed with 2 votes in the affirmative	Approved with 10 votes in the affirmative	Approved with 10 votes in the affirmative	Approved with 9 votes in the affirmative

*Chairman

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

PROCEEDINGS

A regular meeting of the Massachusetts Health Policy Commission was held on Wednesday, July 2, 2014 at 12:00 PM at One Ashburton Place, 21st Floor, Boston, MA.

Commissioners present included Dr. Stuart Altman (Chair); Dr. Wendy Everett (Vice Chair); Dr. Carole Allen; Dr. David Cutler; Dr. Paul Hattis; Mr. Rick Lord; Ms. Marylou Sudders; and Ms. Veronica Turner. Mr. John Polanowicz, Secretary, Executive Office of Health and Human Services; Ms. Jean Yang; and Ms. Kim Haddad, designee for Mr. Glen Shor, Secretary, Executive Office of Administration and Finance, arrived late.

Chair Altman called the meeting to order at 12:03 PM and reviewed the agenda.

ITEM 1: Approval of the Minutes from the May 22, 2014 Meeting

Chair Altman solicited comments, additions, or corrections to the minutes from the May 22, 2014, board meeting.

Chair Altman called for a motion to approve the minutes as presented. **Dr. Everett** made a motion to approve the minutes. After consideration upon motion made and duly seconded by **Chair Altman**, the board voted unanimously to approve the minutes from the May 22, 2014 meeting.

Voting in the affirmative were the eight members present. There were no abstentions and no votes in opposition.

ITEM 2: Executive Director Report

Chair Altman introduced Mr. David Seltz, Executive Director of the Health Policy Commission, to provide an update on recent HPC activities.

Mr. Seltz noted that this was the fifth meeting of the full board in 2014. He stated that the large attendance at the day's meeting was reflective of ongoing participation from a wide range of stakeholders in the HPC's work.

Mr. Seltz announced that the 2014 Health Care Cost Trends Hearing will take place on October 6 and 7 at Suffolk University Law School. He noted that this would be another important milestone for Chapter 224, as it is the first time the hearing will focus on an examination of the state's performance under the health care cost growth benchmark.

Mr. Seltz provided an update on three recent pieces of legislation that impact the HPC. First, he reviewed the Senate and House budgets for FY15. He noted the inclusion of a one-time allocation of \$2 million for the HPC to further behavioral health integration in the patient-centered medical home initiative. Second, he discussed recently-signed legislation regarding nurse staffing ratios; the HPC is charged with promulgating regulations governing overall implementation of this law. Third, Mr. Seltz reviewed the Senate President's proposed substance abuse bill. He noted that the bill would likely direct the HPC to issue a report recommending policies to ensure access to and coverage for substance abuse disorder treatment. He stated that these legislative directives are a reflection of confidence in the HPC.

Mr. Seltz reviewed other items before the board, including a presentation on the preliminary cost and market impact review (CMIR) of Partners HealthCare System's proposed acquisition of Hallmark Health System and the Cost Trends Report: July 2014 Supplement. Mr. Seltz noted that the reports before the board were reflective of the HPC's commitment to ongoing, data-driven analyses of barriers and opportunities in the Commonwealth's health care market. He stated that these reports seek to further enhance transparency and offer solutions.

ITEM 3: Cost Trends and Market Performance Update

Chair Altman introduced Dr. David Cutler, Chair of the Cost Trends and Market Performance (CTMP) Committee, to provide an update on the Committee's recent activities.

Dr. Cutler stated that staff would provide an update on material change notices received since the last meeting. He noted that staff would then present on the preliminary CMIR of Partners HealthCare System's proposed acquisition of Hallmark Health System.

Dr. Cutler stated that the agenda included ample time for public comment following the board's discussion of the CMIR as part of the HPC's commitment to public engagement and transparency.

Dr. Cutler stated that, following the public comment period, staff would present on the Cost Trends Report: July 2014 Supplement. He added that the board will be asked to issue this report.

ITEM 3a: Update on Material Change Notices (MCN)

Dr. Cutler introduced Ms. Karen Tseng, Policy Director for Market Performance.

Ms. Tseng noted that the HPC has received 25 notices of material change since April 2013. She stated that notices pertaining to "physician group affiliations or acquisitions" represent the majority of transactions. She added that staff is currently reviewing two pending notices.

ITEM 3b: Preliminary Report on Cost and Market Impact Review

Ms. Tseng reviewed the statutory framework and process for conducting CMIRs.

Ms. Tseng summarized the parties involved in the transaction: Partners HealthCare System and Hallmark Health System. Partners HealthCare System (Partners) is the largest provider system in Massachusetts with eight general acute-care hospitals, including North Shore Medical Center, and a managed care network that negotiates contracts for over 6,500 physicians. Hallmark Health System (Hallmark) is a non-profit integrated health system with two full service hospitals – Lawrence Memorial Hospital and Melrose-Wakefield Hospital – and a managed care network that includes over 400 physicians. She noted that Partners and Hallmark have been clinically and contractually affiliated for eighteen years.

Ms. Tseng noted that the Health Policy Commission issued a CMIR on Partners' proposed acquisition of South Shore Hospital in January 2014. Recently, Partners and South Shore Hospital, the Massachusetts Attorney General, and Hallmark Health System, filed a proposed consent judgment in state court. She stated that the terms of that proposed consent judgment would resolve

the Attorney General's antitrust investigation into Partners' market conduct and plans to acquire Hallmark, South Shore, and their related physicians. She added that, since the proposed settlement includes the Hallmark transaction, aspects of the preliminary report that will be discussed today address some of the same topics as the Attorney General's investigation.

Ms. Tseng reviewed the proposed Partners-Hallmark transaction. She presented a map showing primary service areas for Partners and Hallmark. She noted that data demonstrates that Partners' North Shore Medical Center and Hallmark's hospitals currently compete directly within Hallmark's primary service area.

She noted that both parties have stated their commitment to controlling total medical expenses, implementing a robust population health management (PHM) model, and reconfiguring overall clinical assets. She stated that the transaction focuses on three initiatives: program and facilities rationalization, PHM and primary care network development, and IT and infrastructure. Ms. Tseng noted that the transaction includes a \$370 million capital investment into Hallmark's services and facilities, with an additional \$225 million proposed for further investments.

Ms. Tseng reviewed the proposed repurposing and rationalization of Hallmark hospitals and Partners' North Shore Medical Center. She noted that, under the proposed transaction, Hallmark's Lawrence Memorial Hospital would become an out-patient short stay facility, handling cases with less than three day turnover. Longer cases would be moved to Hallmark's Melrose-Wakefield Hospital. The proposed transaction would convert Partners' North Shore Medical Center - Union Hospital into a behavioral health specialty center, which would serve as a new site for all existing psychiatric beds at Lawrence Memorial Hospital and North Shore Medical Center – Salem Hospital. Ms. Tseng noted that Partners' Salem Hospital and Hallmark's Melrose-Wakefield Hospital would continue to serve as general acute-care hospitals with expanded capacity from the capital investment.

Ms. Tseng stated that staff examined multiple years of data leading up to the transactions to establish the parties' baseline performance in cost, quality, and access. She noted that, across all metrics, staff compared the parties to each other, to other providers, over time, and to national and statewide benchmarks.

To assess the parties' baseline cost performance, Ms. Tseng presented findings on four metrics: financial condition, market share, relative prices, and total medical expenditure.

On financial condition, she noted that Partners is the largest provider system in Massachusetts, with net patient service revenue over three times greater than the next largest system. She noted that Hallmark is in a promising and improving financial position when compared with other area hospitals.

Ms. Tseng stated that Partners and its contracting affiliates have 48% market share - the highest share of inpatient services in Hallmark's primary service area.

When evaluating price, Ms. Tseng noted that Partners' hospitals receive higher prices on average than Hallmark and other area hospitals. She noted that, on average, Partners' physician groups (excluding Hallmark) generally receive higher prices than Hallmark physicians and other area physician groups. She further stated that Partners' physician groups (excluding Hallmark) generally have higher health status adjusted total medical expenditures than Hallmark and other area physician groups.

Ms. Tseng reviewed the parties' baseline quality performance. Staff examined more than 100 measures of care delivery across a spectrum of domains. Ms. Tseng stated that both hospitals are generally high-quality. She noted that Hallmark's hospitals have slightly lower performance than other local community hospitals. She stated that Partners' hospitals generally have high quality performance compared to state and national averages.

Ms. Tseng next reviewed baseline findings on access. She stated that Chapter 224 directs the HPC to examine two measures of access: providers' payer mix and service mix. She stated that the both of the parties are important providers of inpatient and behavioral health care services in their local communities.

Ms. Tseng presented findings on overall payer mix within the region. She noted that Partners' North Shore Medical Center and Hallmark hospitals have a higher government payer mix compared to area community hospitals. Hallmark has the highest Medicare mix among area hospitals. Ms. Tseng stated that staff examined payer mix of behavioral health services. She stated that Hallmark's Lawrence Memorial Hospital has a particularly high mix of Medicare behavioral health discharges. She noted that the hospital's behavioral health beds are used by geriatric patients. The HPC staff examined the impact of the transaction on disadvantaged populations.

Having completed the baseline review, Ms. Tseng moved to the HPC's analysis of the impact of the transactions on cost, quality, and access. The analysis of cost impact focused on three questions:

- (1) Will market leverage and bargaining incentives change?
- (2) Will prices change?
- (3) Will care shift to higher or lower priced providers?
- (4) Will utilization change?

Ms. Tseng presented on the Herfindahl-Hirschman Index (HHI), a well-established metric of market concentration. She outlined the thresholds used by federal agencies, such as the Department of Justice and the Federal Trade Commission, as initial screens for assessing whether changes in HHI are likely to raise concerns that warrant further investigation. She reviewed two thresholds: the absolute level of concentration – is the transaction approaching or crossing the threshold of 2,500 HHI points – and the change in HHI that results from the transaction – is the transaction increasing concentration by more than 200 points. Staff modeled changes in market concentration using both the HPC's definition of the parties' service areas and the parties' own definition of service areas. She noted that HHI for Hallmark's primary service area would increase by 978 (HPC's defined) to 1,490 (party definition) points. This would cause significant market impact.

Ms. Tseng stated that Partners does not currently benefit from revenue at Hallmark hospitals, but would gain access to revenue as part of this merger. She noted that the proposed transaction will reinforce Partners' position as the provider with the highest share of inpatient and primary care services in its northeastern Massachusetts.

Ms. Tseng reviewed the transaction's overall estimated percentage of impact to regional total medical expenditure (TME). She noted that regional total medical spending would increase \$2.3 million (.3%) under a conservative estimate or \$14.6 million (1.8%), under a higher estimate. She noted that this increase in spending is dependent upon how closely integrated Hallmark physicians become with Partners. Ms. Tseng further noted that efforts to seek price parity between Partners and

Hallmark hospitals would increase prices at the Hallmark hospitals and lead to a further increase in TME of \$9.3 million (1.2%).

Ms. Tseng reviewed potential shifts in care due to this transaction. She stated that the parties indicated that there will be gross shifts in care from MGH to Hallmark as a result of this transaction. The parties stated that this would result in significant savings. Staff examined this claim and noted that shifts in care are likely to be more bi-directional between Hallmark and other hospitals, resulting in a lack of significant savings. She noted that net shifts at current prices would likely be cost neutral, but would increase spending for the three major payers by approximately \$4 million if Partners seeks price parity for Hallmark.

Ms. Tseng reviewed the parties' commitment to investing \$12.5 million over five years to recruit 25 new primary care physicians in Hallmark's service area. If the patients cared for by the new primary care physicians come from local physician groups, shifts in the site of care will increase total medical spending by \$1.3 million to \$3.8 million per year.

Ms. Tseng reviewed the parties' commitment to implementing various population health management (PHM) strategies that will reduce wasteful spending. She noted that the parties project that PHM strategies will yield cost savings of approximately \$10.9 million per year in the first five years. She stated that the HPC modeled the approach used by the parties, and found that savings would be up to \$5.4 million annually.

Ms. Tseng noted that the preliminary report explores a fourth topic, facility fees, in great detail. She stated that there is a trend, both in Massachusetts and nationally, in which hospital systems purchase freestanding outpatient and ancillary facilities owned by independent practice groups. In this transaction, Partners would be purchasing Hallmark's clinics and freestanding facilities. She noted that facility fees at these clinics would increase as a result of this transaction and thus, increase TME.

Next, Ms. Tseng discussed the likely impact of the transaction on quality and care delivery. This analysis of care delivery impact focused on two questions:

- (1) Are there differences in the parties' historic quality performance that are likely to drive transaction-specific quality improvement?
- (2) What plans have the parties identified that would help them realize these potential improvements?

Ms. Tseng noted that the difference in the parties' performance across quality measures suggests opportunities for Hallmark to improve the quality of its care delivery through the exchange of best practices with Partners. She further added that the parties have identified specific areas they intend to target for quality improvement and plans for clinical integration and care delivery reforms. She noted, however, that the parties are already contractually and clinically aligned; it is unclear how corporate ownership is instrumental to improving clinical quality in ways that their current affiliation has not.

Ms. Tseng presented findings on the transaction's impact on access. This analysis focused on two questions:

- (1) How will proposed service expansions affect access?
- (2) How will the relocation of services from certain facilities impact access, particularly for vulnerable patients?

Ms. Tseng stated that the HPC's analysis demonstrated significant potential improved access to targeted services. The current plan, however, lacks sufficient detail for the HPC to determine the extent to which such potential will be realized. She stated that the proposed relocation of inpatient general acute care services is unlikely to impair regional access. She noted that, after assessing a variety of transportation options, the analysis found adverse access impacts for inpatient behavioral health services.

Ms. Tseng presented the staff's conclusions. She stated that this transaction is projected to increase TME by \$15.5 million to \$23 million per year for the three major commercial payers. She noted that, with the parties' history of clinical affiliation, it is unclear how a corporate affiliation will further improve clinical quality. Finally, she noted that the parties have not provided significant detail on potential impacts on access. She added that, given Hallmark and Partners North Shore Medical Center's high government payer mix, the proposed reconfiguration and relocation of services is anticipated to impact vulnerable populations.

Dr. Cutler thanked Ms. Tseng and staff for their continued work on this important issue and opened up for comment from the board.

Dr. Cutler noted that the parties and the HPC had varying methods for analyzing service patterns. He stated that the HPC proposed follow-up questions to clarify. He proposed further questions to the parties on how the proposed cost-savings will materialize under each analysis.

Dr. Hattis stated that the impacts of this transaction are not as negative as the Partners-South Shore Hospital transaction; however, the Partners-Hallmark transaction has the potential to decrease access to behavioral health facilities and increase cost in the North Shore. He further noted his concern, in conjunction with Dr. Cutler, about differences in cost analyses.

Dr. Hattis commended the parties for their efforts to invest capital and repurpose existing facilities. He added that there is significant opportunity to improve the quality of care for vulnerable populations through population health management initiatives.

Dr. Hattis asked if the HPC's projected \$5.4 million/year in savings was reflective of Medicaid or commercial markets. Ms. Tseng responded that there was significant discussion around whether national or local benchmarks should be examined when determining these savings. She stated that staff took the parties' approaches as a baseline analysis and added more robust and accurate local data where appropriate.

Ms. Sudders asked if Partners North Shore Medical Center would be licensed as a freestanding behavioral clinic or placed under MGH's existing license. She noted this distinction is important when considering the Medicare cap on behavioral health benefits. She stated that being outside of MGH's license could further harm disadvantaged populations. Ms. Tseng noted that the parties have not yet indicated how they intend to approach this licensure process.

Ms. Sudders asked whether there is adequate public transportation in the area for patients seeking behavioral health services. Ms. Tseng stated that the parties did not address the lack of transportation.

Chair Altman asked Ms. Tseng to clarify how the proposed agreement between the Attorney General (AGO) and Partners would impact the preliminary report. Ms. Tseng reiterated that the proposed settlement resolves an antitrust investigation. She stated that the legislature charged the HPC with

examining health care spending under the cost growth benchmark. She noted that the settlement does not look at changes in the site of care, provider mix, and utilization by non-risk patients. She added that, under the agreement, prices of the Hallmark providers would be held to overall inflation, but that Partners could potentially seek to allocate price increases

Chair Altman asked for clarification on the consequences of price parity for the hospitals that Partners is proposing to acquire. He noted a scenario in which prices would increase after the settlement with the AGO expires. Dr. Cutler stated that once the agreement between the AGO and Partners expires, prices will be ruled by the fundamentals of the market regardless of whether consolidation has happened. Thus, it is a matter of overall structure and market power.

Ms. Tseng stated there are questions of utilization, a new baseline at the expiration of the settlement, and the underlying market structure that governs the forecast.

Chair Altman noted that the complexity of the issue, citing the fact that the AGO settlement treats South Shore Hospital and Hallmark differently. He asked what effect the settlement would have on the proposed acquisition on Hallmark Health System.

Dr. Cutler solicited any additional comments or questions. Seeing none, he called for a motion to issue the preliminary CMIR of Partners' proposed acquisition of Hallmark. **Mr. Lord** made a motion to issue. After consideration, upon motion made and duly seconded by **Dr. Everett**, it was voted to approve issuance of the preliminary CMIR report to the parties.

Voting in the affirmative were ten present members. Commissioner Turner abstained. There were no votes in opposition.

ITEM 3c: Submission into Court Authorized Public Comment Process

Chair Altman updated the board on the recent court ruling to allow for a period of public comment on the settlement between Partners HealthCare System and the Office of the Attorney General (AGO). He introduced Ms. Lois Johnson, General Counsel, to summarize the role that the HPC may have in this process moving forward.

Ms. Johnson stated that the parties have reached a settlement with the AGO. She noted that the court ordered a public comment period, open until July 21, 2014, for interested parties to submit testimony to the AGO. The AGO will then submit these comments and its response to the court by August 1, 2014. Ms. Johnson stated that the HPC has no specific authority in this matter beyond its statutory charge to issue a CMIR and refer it to the AGO under Chapter 13, Section 6D of the Massachusetts General Law. She added that the HPC has the ability to participate in this public comment period if the board so chooses.

Chair Altman stated that statute is very specific about the responsibilities of the HPC. He noted that, with the issuance of the Partners-SSH and Partners-Hallmark CMIR reports, the HPC has done an excellent job in fulfilling its duties under statute. He believes the Commission should comment based on its careful analysis of the transactions. He noted that the HPC should present its analyses that have consistently shown that the use of high cost academic medical centers (AMCs) is a driver of higher health care cost growth. He asked whether the board can submit the preliminary CMIR on Partners-

Hallmark to the AGO, with the caveat that there will be a final report issued in September. Ms. Johnson stated that the board could choose to do this.

Chair Altman made a motion to authorize the submission of the preliminary CMIR on Partners' proposed acquisition of Hallmark to the Office of the Attorney General. After consideration, upon motion made and duly seconded by **Dr. Everett**, it was voted to approve this authorization.

Voting in the affirmative were the eleven members present, with no abstentions and no votes in opposition.

Chair Altman asked Ms. Johnson to further clarify what the HPC staff proposed submitting to the court for consideration during the public comment period. Ms. Johnson stated that the Executive Director would compile all relevant data, including the two relevant CMIRs, the 2013 Cost Trends Report, the Cost Trends Report: July 2014 Supplement, and commissioner comments.

Chair Altman made a motion to direct the Executive Director to summarize key relevant findings of the Commission and, upon approval by the Commission, to submit such summary along with the reports on or before July 21, 2014 to the Attorney General pursuant to the public comment period authorized by the court. After consideration, **Dr. Everett** seconded this motion.

Dr. Hattis offered an amendment to the motion to allow for "a letter which incorporates these summary findings and other relevant comments approved by the HPC Board."

Dr. Everett noted that the HPC's process has always allowed for significant input from the board during the drafting of all reports that are issued. She asked Dr. Hattis how this amendment would change that process. Dr. Hattis stated that his "friendly amendment" allows for the board to add to or edit comments before submission to the public comment period.

Chair Altman noted that the underlying motion was drafted by the legal division at the HPC with careful consideration to submit only fact-based analyses to the court.

Mr. Seltz noted that while this motion does direct the Executive Director to compile the summary, board's input is implicit and included in all of the HPC's work. He reiterated Dr. Altman's comment that the HPC's submission should include analytic and fact-based evidence.

Ms. Sudders stated her comfort with the motion as drafted. She added that the HPC staff has always included the board in the drafting process.

Chair Altman motioned for a vote on Dr. Hattis' amendment to the pending motion. **Dr. Hattis** seconded. The amendment failed to pass with two members voting to pass the motion, nine members voting against the motion, and no abstentions.

Chair Altman solicited any additional comments or questions on the pending motion to submit public comment to the court on the settlement between Partners and the AGO. Seeing no further comment, he called for a vote. The motion was approved unanimously. Voting in the affirmative were the eleven members present, with no abstentions and no votes in the opposition.

Chair Altman clarified that the board will meet again to discuss this submission prior to the July 21, 2014 comment deadline.

Dr. Hattis stated that he is happy with the process. He added that he reserves the right to submit individual comment to the court.

ITEM 3d: Public Comment

Chair Altman opened the floor to public comment. A recording of public comment can be found on the HPC's website.

ITEM 3e: Cost Trends Report July 2014 Supplement

Noting the limited remaining time, Chair Altman asked Dr. Cutler if his committee had ample time to review the Cost Trends Report: July 2014 Supplement.

Dr. Cutler stated that the Committee had reviewed the supplement and provided substantial input throughout the drafting process. He stated that he supports the board's immediate approval of the report, pending a discussion of the methods and findings at the next scheduled board meeting.

Chair Altman solicited any additional comments or questions. Seeing none, **Chair Altman** made a motion to authorize the issuance of the Cost Trends Report: July 2014 Supplement. Upon motion made and duly seconded by **Dr. Allen**, the motion was unanimously approved.

Voting in the affirmative were the ten members present, with no abstentions and no votes in opposition.

ITEM 4: Community Health Care Investment and Consumer Involvement Update

Given time constraints, this agenda item was set aside.

ITEM 5: Quality Improvement and Patient Protection Update

Given time constraints, this agenda item was set aside.

ITEM 6: Care Delivery and Payment System Transformation Update

Mr. Seltz stated that he would seek a vote from the board to approve and authorize the issuance of the final regulation on the registration of provider organizations (RPO) program.

ITEM 6a: Final Regulation for Registration of Provider Organizations (RPO)

Dr. Allen, Chair of the Care Delivery and Payment System Transformation Committee, provided an update on the final regulation for the RPO program. She noted that the Committee had met prior to

today's board meeting and unanimously approved the regulation. She introduced Mr. Iyah Romm, Director of System Performance and Strategic Investment, to provide a summary of the regulation.

Mr. Romm stated that the changes made to the final regulation reflect feedback received from stakeholders, and staff will continue to engage with all stakeholders going forward. .

Ms. Sudders added her support for the final regulation. She stated that the regulation is reflective of a very significant public comment process through the CDPST Committee.

Chair Altman commended the HPC staff on the process and development of the final RPO regulation. He solicited any additional comments or questions. Seeing none, he called for a motion to approve and authorize the issuance of the final regulation on the registration of provider organizations. **Dr. Everett** made the motion. Upon motion made and seconded by **Dr. Allen**, the motion was unanimously approved.

Voting in the affirmative were the ten members present, with no abstentions and no votes in opposition.

ITEM 7: Administration and Finance Update

Mr. Seltz provided a brief update on the activities of the Administration and Finance Committee and previewed the votes before the board.

ITEM 7a: Final Fiscal Year 2014 Update

Given time constraints, this agenda item was set aside.

ITEM 7b: Fiscal Year 2015 Operating Budget

Mr. Seltz provided an update on the process surrounding the Fiscal Year 2015 (FY15) operating budget for the HPC. He noted that the Administration and Finance Committee met on June 30, 2014 to discuss the details of the proposed budget. He stated that the Committee had unanimously approved and endorsed this budget.

Chair Altman stated that the proposed budget relies, in part, on revenue from Massachusetts' casino licenses. He noted the reliance upon casino revenue is consistent with the approach taken by the legislature. Mr. Seltz stated that the law requires a portion of the funds from one-time casino licensing fees to be deposited into the Health Care Payment Reform Trust Fund to support the operations of the HPC.

Dr. Hattis asked what would happen if the HPC did not receive gaming revenue. Mr. Seltz replied that the HPC has received assurances from the Executive Office of Administration and Finance and the Legislature that, should need arise, both would make efforts to support the HPC's operating budget.

Chair Altman stated that he is confident in the assurances of the Executive Director that this budgeting is appropriate regardless of the receipt of gaming revenue. Mr. Seltz stated that he would report back to the Commission as necessary with updates.

Mr. Lord stated his support for the budget as recommended and noted that reliance upon gaming revenue was no different than the situation before other state agencies.

Chair Altman solicited any additional comments or questions. Seeing none, he called for a motion to approve the proposed Commission FY15 operating budget. **Mr. Lord** made the motion. Upon motion made and seconded by **Dr. Allen**, the motion was approved.

Voting in the affirmative were nine members present, with one abstention and no votes in opposition.

ITEM 8: Schedule of Next Commission Meeting

Following the conclusion of discussion of the final agenda item, Chair Altman announced the date of the next board meeting (July 17, 2014) and asked for any public comment.

Seeing no further comment, Chair Altman adjourned the meeting of the Health Policy Commission at 3:22 PM.