MINUTES OF THE HEALTH POLICY COMMISSION

Meeting of July 22, 2015

MASSACHUSETTS HEALTH POLICY COMMISSION

Date of Meeting: Wednesday, July 22, 2015
Start Time: 12:11 PM
End Time: 3:04 PM

	Present	ITEM 1: Minutes from June 10, 2015	ITEM 2: Committee Assignments	ITEM 8b: HPC 2016 Budget
Carole Allen	Yes	Yes	Yes	Yes
Stuart Altman*	Yes	Yes	Yes	Yes
Martin Cohen	Yes	Yes	Yes	Yes
David Cutler	No	A	A	A
Wendy Everett	Yes	Yes	Yes	Yes
Paul Hattis	Yes	Yes	Yes	Yes
Rick Lord	Yes	Yes	Yes	Yes
Ron Mastrogiovanni	Yes	Yes	Yes	Yes
Marylou Sudders	Yes	Yes	Yes	A
Kristen Lepore	No	A	A	A
Veronica Turner	Yes	Yes	Yes	Yes
Summary	**9 Members Attended**	**Approved with 9 votes in the affirmative**	**Approved with 9 votes in the affirmative**	**Approved with 8 votes in the affirmative**

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 Massachusetts Health Policy Commission was held on Wednesday, July 22, 2015 at 12:00 PM.

Commissioners present included Dr. Stuart Altman (Chair); Dr. Wendy Everett (Vice Chair); Dr. Carole Allen; Dr. Paul Hattis; Mr. Martin Cohen; Mr. Rick Lord; Mr. Ron Mastrogiovanni; Secretary Marylou Sudders; and Ms. Veronica Turner.

Dr. David Cutler and Secretary Kristen Lepore were absent.

Chair Altman called the meeting to order at 12:01 PM and reviewed the agenda.

ITEM 1: Approval of Minutes from June 10, 2015

Chair Altman solicited comments on the minutes from June 10, 2015. Seeing none, he called for a motion to approve the minutes, as presented. **Dr. Hattis** made a motion to approve the minutes. After consideration upon motion made and duly seconded by **Dr. Everett**, the board voted

unanimously to approve the minutes from June 10, 2015. Voting in the affirmative were the nine members present. There were no abstentions and no votes in opposition.

ITEM 2: Chair Report

Dr. Altman welcomed the newest board member, Mr. Ron Mastrogiovanni, who fills the seat of a member with demonstrated expertise in health plan administration and finance.

Dr. Altman noted that the board would need to vote on committee members for the newest members. He stated that Mr. Mastrogiovanni will sit on the Care Delivery and Payment System Transformation (CDPST), Community Hospital Investment and Consumer Involvement (CHICI), and Administration and Finance (ANF) committees. He stated that Dr. Cohen would serve on the Quality Improvement and Patient Protection (QIPP) and Care Delivery and Payment System Transformation (CDPST).

Dr. Altman called for a motion to approve these committee assignments, as presented. **Mr. Lord** made the motion to approve the committee assignments. After consideration upon the motion made and duly seconded by **Dr. Allen**, the board voted unanimously to approve HPC committee assignments.

ITEM 3: Executive Director Report

Mr. David Seltz, Executive Director, reviewed the day's agenda, highlighting a discussion of the 2015 Cost Trends Hearing, which will be held on October 5 and 6 and inform the annual Cost Trends Report. Mr. Seltz noted that the board would also hear updates on the HPC's research in Neonatal Abstinence Syndrome (NAS) and Phase 2 of the CHART Investment Program.

Mr. Seltz took a moment to thank the nine fellows who took part in the HPC's first annual Summer Fellowship Program. He provided a brief overview of their background and projects.

ITEM 3a: Connecticut Health Care Law

Mr. Seltz stated that Connecticut recently passed a comprehensive healthcare reform law that draws from *Chapter 224 of the Acts of 2012*, the Commonwealths landmark cost containment law. He noted that the creation of such a law in Connecticut affords the Commonwealth an opportunity to learn best practices. He asked commissioners to consider on which areas of the new Connecticut law they would like additional information.

Ms. Katherine McCann, Associate Counsel, provided an overview of Connecticut's healthcare law. She noted that it is a package of reforms aimed at positively impacting the market and increasing the quality of care. She said that this law was a response to the rapidly changing Connecticut healthcare market and concerns about consolidation.

Ms. McCann noted that the HPC has been in contact with legislators in Connecticut to act as a resource as they drafted this legislation.

Ms. McCann stated that the law calls for the Healthcare Cabinet to study health care laws and implementation in six other states, including Massachusetts. She added that this information will

culminate in a report that will be reviewed by the Connecticut legislature for administrative, regulatory, and policy recommendations.

Mr. Lord asked whether the members of the Healthcare Cabinet are also members of the Governor's administration. Ms. McCann responded that Connecticut's Healthcare Cabinet is comparable to our Health Policy Commission in that it is comprised of appointed members.

Dr. Hattis asked whether Connecticut's cost of market impact review (CMIR) process is more hospital-centric. Ms. McCann responded that the CMIR process is more hospital-centric in Connecticut, marking a key difference between it and the HPC's version of a CMIR. She noted that Connecticut's CMIR process will be triggered by a certificate of need application involving the transfer in ownership of a hospital that is very large or a for-profit entity. She noted that the preliminary CMIR report in Connecticut must indicate whether certain criteria are met. Finally, she noted a key difference in that Connecticut's CMIR must be completed by an independent economic consultant and paid for by the purchaser in the transaction.

Ms. McCann reviewed similarities between the Massachusetts and Connecticut cost containment laws. She noted that the Connecticut healthcare roundtable suggested a competitive process for state loans based it on the CHART program.

Ms. McCann noted that a portion of the law charges the CT State Insurance Commissioner with convening a working group to study and report on price variation.

Ms. McCann stated that the CT law contains restrictions on out-of-network billing for emergency services and "surprise bills."

Dr. Altman stated that the HPC should research "surprise bills" and out-of-network emergency billing. Dr. Allen agreed, noting that a business owner at the 2014 Cost Trends Hearing said that his employees were subject these practices.

Dr. Everett asked whether the HPC could include the topic of "surprise bills" in the 2015 Cost Trends Hearing, 2015 Cost Trends Report, or a whitepaper. Mr. Seltz responded that the HPC can research this area and assess which format is most suitable for publication.

Dr. Everett stated that putting "surprise bills" on the 2015 Cost Trends Hearing agenda signals that this is a topic in which the HPC is very interested and may pursue in the future.

Ms. McCann reviewed portions of the Connecticut law related to facility fees. She added that the law requires hospitals and health systems to report annually to the Commissioner of Public Health on facility fees. She further stated that Connecticut will ban facility fees for certain outpatient physician office visits.

Ms. McCann said that the Connecticut law requires a website where payers will report information to ensure price transparency. This website will include billed and allowed amounts for the top 150 procedures. The law also requires providers to determine whether a patient is covered, uninsured, or out of network prior to any scheduled admission, procedure or service for nonemergency care. Additionally, the new law requires providers to notify patients if they are being referred to an affiliated provider.

Dr. Hattis noted the high level of consumer protection afforded for out-of-network billing, surprise billing, and facility fees in Connecticut's law.

Dr. Hattis asked whether the Connecticut Attorney General could stop a health care transaction that has been deemed potential problematic by a CMIR. Ms. McCann explained the powers of the state's Attorney General. She noted that the Attorney General can open an investigation if he/she feels that parties involved in the health care transaction will engage or have engaged in unfair competition. Dr. Hattis asked if this is similar to section 13a in *Chapter 224 of the Acts of 2012*. Ms. McCann responded that the Connecticut law mirrors that portion of the Commonwealth's statute.

ITEM 4: Cost Trends and Market Performance Update

Noting Dr. Cutler's absence, Mr. Seltz provided a summary of work completed by the Cost Trends and Market Performance (CTMP) committee since the last board meeting. He noted that, at its July 15 meeting, the committee reintroduced the process for Performance Improvement Plans (PIPs), noting that 2016 will be the first year that the HPC will require PIPs from select payers and providers.

ITEM 4a: Recent Material Changes

Ms. Kate Mills, Policy Director for Market Performance, stated that the HPC has received notices regarding 44 provider transactions since April 2013, and there have been three new material change notices (MCNs) since the last board meeting.

Ms. Mills stated that the HPC has also elected not to proceed to a Cost and Market Impact Review (CMIR) for the affiliation between UMass Memorial Health Care and Quest Diagnostics, for the acquisition of South Shore Physician Ambulatory Enterprise by South Shore Medical Center, and for two joint ventures between Shields Health Care Group and Sturdy Memorial Hospital and Signature Healthcare Brockton Hospital, respectively. She stated that the HPC does not anticipate that these transactions will have a significant impact on health care costs or market functioning, or negatively impact quality or access to care.

Ms. Mills said that there have been a number of changes regarding the MCN and CMIR process. She stated that the HPC released a FAQ document clarifying the timeline and filing requirements for certain types of transactions requiring notice. She also noted that the HPC reorganized the MCN/CMIR website to make it more user-friendly. Finally, she highlighted the creation of a listserv for interested stakeholders to obtain notice when the HPC receives a MCN and determines whether to initiate a CMIR.

ITEM 4b: 2015 Health Care Cost Trends Report

Ms. Sara Sadownik, Senior Manager, Cost Trends, stated that the 2015 Cost Trends Report will focus on a number of new topic areas and include discussion on programs in Massachusetts and broader national trends. She added that the HPC is continuing research for whitepapers on high-cost drug spending, primary care access and preventable ED use, and employer perspectives and insurance markets.

Ms. Sadownik discussed the outline of the 2015 Cost Trends Report. She noted that the report will contain four major sections: (1) trends in spending and delivery, (2) progress in aligning incentives, (3) opportunities to increase quality and efficiency, and (4) recommendations for new and previously reported topic areas.

Dr. Everett stated that last year the board discussed two important data points: (1) Massachusetts was 4th in the country in preventable 30 day readmissions and (2) Massachusetts has a high rate of post-acute care. She said the commission really wanted to shine a light on these areas in the 2015 Cost Trends Report. She recommended that the commission should outline progress in those areas since they drive health care cost.

Ms. Sadownik responded that the 2015 Cost Trends Report will look at progress in these categories, including progress for ACO providers. Dr. Marian Wrobel, Director of Research and Analysis, added that the 2015 report will demonstrate whether Massachusetts is progressing in these categories and highlight local efforts.

Mr. Mastrogiovanni asked if long term care costs referred only to skilled nursing facilities. Ms. Sadownik responded that the use of skilled nursing facilities is included in the health care cost growth benchmark. She added that long term care generally includes a large amount of out-of-pocket costs, which are not included in the benchmark.

Dr. Cohen asked whether the HPC would assess the boarding of behavioral health patients in the emergency room. Dr. Wrobel responded that the HPC will consider putting that figure in the chapter because of its importance.

ITEM 4c: 2015 Health Care Cost Trends Hearing

Mr. Seltz said that the Cost Trends Hearing is an annual public examination of health care cost trends and drivers. He noted that the two-day event features witness testimony and discussion with national experts on the challenges and opportunities within the Commonwealth's health care system. Mr. Seltz asked the board for recommendations on panel topics and guest speakers.

Ms. Lois Johnson, General Counsel, reviewed the draft agenda for the 2015 Cost Trends Hearing. She said the first day of the hearing will focus the Commonwealth's performance under the health care cost growth benchmark and challenges to the benchmark. She noted that the second day will focus on activities of market participants to meet the benchmark.

Mr. Lord asked whether a discussion on limited network products would be included in the Cost Trends Hearing. He noted their growth within the market. Ms. Johnson responded that she expected it to be addressed in the presentation by the Office of the Attorney General but would confirm.

Mr. Lord noted that a panel of employers provided a helpful perspective in previous years since so many individuals obtain insurance through work. He said that he would be happy to identify employers that would be a good fit on such a panel.

Dr. Hattis suggested that findings and discussion from the Cost Trends Hearing and Cost Trends Report is a standing subject at the following meeting of the HPC's Advisory Council. Mr. Seltz agreed that the Advisory Council is a good forum to review this work throughout the year.

Dr. Allen stressed the importance of focusing on the pitfalls of telemedicine so it does not impair the quality of care.

Dr. Hattis asked for an update on the HPC responsibilities to make comments into the DPH's Determination of Need (DoN) process. Mr. Seltz responded that the HPC has not exercised the authority to make comments into the DoN process. He said that he would provide an update at the next CTMP meeting. Dr. Everett recalled previous discussion that DPH is undergoing a review of its DON regulation that the HPC did not want to weigh in until DPH was further along in the process.

ITEM 5: Care Delivery and Payment System Transformation Update

Dr. Allen noted that CDPST last met for a joint session with the Quality Improvement and Patient Protection committee to review the Commonwealth's actions to address substance abuse.

Dr. Allen introduced Ms. Katie Shea Barrett, Policy Director for Accountable Care.

ITEM 5a: HPC Certification Programs

Ms. Barrett updated the board on public comment regarding the HPC's patient-centered medical home (PCMH) certification program. Ms. Barrett reviewed the HPC's proposed PCMH certification pathway, which includes baseline certification through NCQA with additional requirements across HPC-specific domains.

Ms. Barrett stated that public comment about NCQA certification, noted that baseline requirements are difficult to achieve, require significant resources, and can be an administrative burden.

Ms. Barrett reviewed comment on the proposed HPC-specific domains for certification: (1) resource stewardship, (2) patient experience, (3) behavioral health integration, and (4) population health management. She noted concerns from the provider community on each of these domains.

Dr. Allen stated that, although there are concerns, the aforementioned domains are extremely important. She stated that the HPC will focus on minimizing administrative burden.

Ms. Barrett reviewed next steps for the PCMH program, including finalizing certification design and aligning with MassHealth payment reform efforts.

Ms. Barrett stated the HPC is drafting a plan for operationalizing the accountable care organization (ACO) certification program. She noted that the HPC is refining the draft criteria by engaging stakeholders to obtain feedback on feasibility, efficacy, and impact. She emphasized that the HPC is working with MassHealth and the GIC to align payment reform efforts.

Dr. Hattis asked whether the HPC will release its ACO criteria around the same time that the GIC and MassHealth release theirs. Ms. Barrett responded the HPC is working to align criteria, but MassHealth and the GIC may be working on an extended timeline.

Dr. Altman emphasized the importance of both of these certification programs and stated his enthusiasm to hear further updates at future meetings.

ITEM 6: Quality Improvement and Patient Protection Update

Dr. Everett, Acting Chair of QIPP, update the board on activities since the last meeting. She stated that the QIPP committee held a public hearing on the proposed updates to regulations governing the Office of Patient Protection.

Dr. Everett stated that the last QIPP meeting was a joint session with CDPST to hear an update on the Commonwealth's activities to address the opioid crisis. She thanked the Office of the Attorney General and Executive Office of Health and Human Services for their presentations and noted that they were great outlines for the HPC's substance abuse report.

ITEM 6a: Substance Use Disorder Report

Mr. Seltz stated that the HPC has a statutory mandate put forward recommendations on the adequacy of coverage, availability of therapy, and need for analyses to address the opioid crisis. Mr. Seltz stated that the HPC will work in collaboration with other agencies as it formulates its report. He said the main question to ask is what role the HPC should have in this conversation.

Mr. Seltz emphasized that the HPC's report will be data driven, objective, and evidence-based. He noted that the HPC has conducted extensive research, interviewed stakeholders, surveyed providers, and attended public sessions to glean information for the report. He highlighted that the HPC's report will identify strategic opportunities for care delivery and payment reform that are likely to result in reduced spending and improved quality and access.

Ms. Katherine Record, Deputy Policy Director for Behavioral Health Integration & Accountable Care, stated that opportunities to improve outcomes and reduce costs related to opioid use in the Commonwealth will be focal points of the HPC's report, including both reducing incidence over time and addressing prevalence more immediately.

ITEM 6b: Opiate Exposed Newborns

Ms. Record provided an overview of neonatal abstinence syndrome (NAS), which is a clinical diagnosis resulting from the discontinuation of exposure to substances in utero. She stated that the symptoms of NAS are fever, high-pitched crying, tremors, diarrhea, and seizures. She noted that NAS is rarely fatal, but results in short-term morbidity and prolonged hospital stays. She stated that the average hospital stay for an infant suffering from NAS is 16 days.

Ms. Record said that, in 2009, the rate of NAS in Massachusetts was three times the national average. She noted that, while NAS is a statewide issue, there are definitely pockets of increased incidence.

Dr. Hattis asked whether 2009 data that showed a higher rate of NAS in Massachusetts could stem from a detection bias. He elaborated by asking whether Massachusetts does a better job of ensuring that new mothers are tested for opioids. Ms. Record responded that she does not believe that it is a detection bias. She stated that some states have mandatory screening for substances at birth and noted that Massachusetts does not.

Ms. Record stated that higher incidence of patients with NAS results in increased staffing needs, short-term complications, and extended hospital stays. She noted that the HPC is collaborating with MassHealth, one of the primary payers of NAS treatment services, to obtain further data.

Ms. Record said that the average cost of an infant born with NAS is $66,700 and can be as high as $93,400 if they require pharmacological treatment. By comparison, she noted that the cost for uncomplicated term infants is $3,500. She stated that nationally, hospital charges related to NAS have increased from $720 million in 2009 to $1.5 billion in 2012.

Ms. Record reviewed emerging best practices for treating infants with NAS. She stated that there are common themes that are proving to be effective in combatting NAS, such as multidisciplinary care teams and hospital-developed breastfeeding policies. Ms. Record provided examples of successful treatment programs at Children's Hospital at Dartmouth and Boston Medical Center (BMC).

Dr. Allen stated that NAS has grown to affect all populations. She added that the HPC's report is an opportunity to examine areas where physical and behavioral health can be integrated.

Mr. Seltz said that there was a reserve set aside in the budget to fund a pilot program to address NAS. He said this program would work like the CHART by taking the lessons learned from that program and disseminating them on the larger scale. Ms. Record reviewed the timeline for HPC's NAS-related pilot.

ITEM 7: Community Health Care Investment and Consumer Improvement Update

Dr. Hattis updated the board on recent activities of the Community Health Care Investment and Consumer Involvement (CHICI) Committee. He noted that the committee's goals are to define hospital expectations for Phase 2 of the CHART Investment Program. He expressed hope that the evidence from CHART Phase 2 can be implemented in other hospitals.

ITEM 7a: CHART Phase 2 Status

Ms. Margaret Senese, Senior Manager for Care Delivery Innovation and Investment, provided an update on CHART Phase 2. Ms. Senese presented a high level overview of the populations who will be served by CHART initiatives. She added that investment target population definitions are tailored to each hospital and community. She stated that CHART hospitals coalesced around personal history of acute utilization, behavioral health, and social risk factors for Phase 2 projects.

Ms. Senese said that the HPC is working with hospitals to define their aim statements, which describe desired outcomes of the improvement initiative, including a description of what will change, how much, for whom, and by when. She said that, with the CHART team's guidance, most hospitals are settling on one or more aims related to 30-day readmissions, reducing 30-day emergency department (ED) revisits, and reducing ED lengths of stay.

Secretary Sudders suggested that the HPC distinguish between planning for social and behavioral factors. Mr. Seltz responded that the HPC will separate social and behavioral factors into two distinct terms in future iterations of the presentation.

Ms. Senese provided an overview on the how CHART will use data for accountability and improvement. She said that the HPC is requiring standardized cohort-wide measures for basic utilization rates and proportions of interest. She stated that hospital teams are working to specify additional measures they will employ to manage their programs. Ms. Senese said that the hospitals will use this reporting to drive improvement. She added that the HPC and its contractors will use the reporting data to provide coaching, technical assistance, and evaluation.

Ms. Senese outlined the payment model for Phase 2 of the CHART Investment Program. She stated that a portion of the payment is tied to progress toward and achievement of the aim statement. This payment model is intended to be an accountability tool and is central to the program's objective. She said that the HPC will engage an external evaluation firm to measure impact and help to address questions of return on investment.

Ms. Senese provided examples of how various CHART hospitals will use their investments. She summarized their aim statements, target populations, primary drivers, service models, and enabling technologies.

Mr. Mastrogiovanni asked whether the HPC has outlined benchmarks that hospitals will need to achieve, specifically to measure quality and access. Ms. Senese responded that hospitals will be measured against their own baseline. Mr. Seltz added that a portion of the dollars invested in CHART hospitals is contingent on them meeting the goals they say they are going to meet.

Dr. Cohen asked to what extent the HPC is asking CHART hospitals to commit to continuing cost saving activities after the CHART Phase 2 ends. Mr. Seltz responded that the HPC is encouraging sustainability. He noted that the CHART program is, in effect, acting as the first step of a risk based contract for many hospitals.

ITEM 7b: CHART Phase 2 Technical Support

Mr. Seltz noted that CHART Phase 1 hospitals reported that direct access to subject matter experts, HPC staff supports, regional learning opportunities, and data analyses would be extremely helpful in implementing programs through CHART Phase 2. He noted that, throughout CHART Phase 2, each hospital will have an assigned HPC staff member to provide direct support.

Mr. Seltz said that the HPC has designed technical assistance options for CHART Phase 2 to be flexibly deployed based on what the CHART hospitals need and want as they move forward. He said the main purpose of the robust technical assistance program is to ensure that the CHART

hospitals are successful. He said that the technical assistance conversation will continue at CHICI committee meetings. He said that the HPC plans to host statewide and regional meetings and to conduct site visits at least twice a year.

Dr. Altman said that he is very pleased with the staff's commitment to the CHART program. He noted that he has heard compliments from hospital executives. He said that this is an extremely important program to building a more coordinated healthcare system.

ITEM 8: Administration and Finance

Dr. Altman introduced Mr. Seltz and Ms. Coleen Elstermeyer, Chief of Staff, to provide an update on the Commonwealth's Fiscal Year 2016 budget and the HPC's proposed FY16 budget.

ITEM 8a: State Fiscal Year 2016 Update

Ms. Elstermeyer stated that there was a great deal of support for the HPC in the Commonwealth's FY16 budget. She thanked Secretaries Lepore and Sudders, House and Senate Leadership, and the Governor.

Ms. Elstermeyer reviewed five new HPC programs funded through the FY16 state budget. She stated that the pilot programs approved in the budget have the potential to positively impact patient care, decrease spending, and inform future health policy.

Ms. Elstermeyer noted that the HPC was charged with implementing two opioid-related programs, which reflect and support the Governor's and his Administration's leadership on these issues. First, she stated that the budget includes $500,000 for the HPC to develop a substance expose newborns pilot program in coordination with DPH. She said the purpose of this program is to pilot emerging best practices for Neonatal Abstinence Syndrome (NAS). Second, Ms. Elstermeyer stated that the HPC received $100,000 to implement a pilot primary care Narcan training program in coordination with DPH. The purpose is to expand the capacity and ability of primary care physicians to prescribe Narcan, a potentially lifesaving drug in the case of an opioid overdose.

Ms. Elstermeyer noted that the HPC received $500,000 for behavioral health integration in patient-centered medical homes (PCMHs). The purpose of this program is to create infrastructure for education and technical assistance through PCMH certification in the form of training, education, technical assistance, or grants.

Ms. Elstermeyer stated that the HPC was also appropriated $500,000 to conduct a behavioral health paramedicine pilot program in the Quincy area. She noted that this behavioral health triage program will partner the HPC with trained emergency medical service providers to implement a model for field triage of behavioral health patients.

Dr. Hattis asked whether the goal of this program was for paramedics to reroute behavioral health patients to appropriate behavioral health facilities, rather than the ED. Ms. Elstermeyer responded in the affirmative.

Ms. Elstermeyer outlined a telemedicine pilot authorized by the Legislature and funded through the HPC's Distressed Hospital Trust Fund. She stated that this pilot aims to incentivize the use of community-based providers and facilitate collaboration between providers and teaching hospitals.

Ms. Elstermeyer reviewed two outside sections of the budget, which provide statutory guidance but do not include additional funding. First, the HPC received confidentiality language for the CHART, PCMH, ACO, and other programs. Second, the Legislature established an Oversight Counsel for the Center for Health Information and Analysis. Ms. Elstermeyer stated that the HPC Executive Director was designated as a member of this Council.

ITEM 8b: HPC Fiscal Year 2016 Budget

Dr. Altman welcomed Mr. Mastrogiovanni and Secretary Lepore to the Administration and Finance Committee.

Dr. Altman stated that Mr. Seltz presented the proposed FY16 budget to the HPC's Administration and Finance Committee. He noted that the committee endorsed the budget as it will be presented at the day's meeting.

Mr. Seltz stated that Chapter 224 dedicated one-time revenues, administered by the HPC through an assessment on certain health care market participants and a portion of casino gaming licenses. He reminded commissioners that the HPC manages two trust funds, the Health Care Payment Reform Trust Fund and the Distressed Hospital Trust Fund. He added that both of these funds and the HPC promote a more affordable, effective, and accountable health care system in Massachusetts.

Mr. Seltz noted that the HPC's FY16 budget recommendation will continue to support the agency's operations and enhance existing programs. He stated that the proposed FY16 budget will be fully supported by the balance existing in the HPC's trust funds. Mr. Seltz noted that the budget is consistent with the HPC's multi-year plan to fully staff out the agency and implement statutorily mandated programs. Mr. Seltz confirmed that this is the final year of agency growth, assuring commissioners that the HPC's operating budget will reach a steady-state in future fiscal years.

Mr. Seltz noted that the HPC is cost effective and efficient, reminding commissioners that the agency has spent under board-approved budgets every fiscal year. During FY15, the HPC spent approximately $500,000 less than the board-approved budget. Mr. Seltz stated that the unexpended funds remain in the HPC's trust fund for disbursement in FY16.

Mr. Seltz stated that the proposed FY16 budget reflects known and projected costs. He added that new investments in the FY16 budget are limited, targeted, and essential. He noted that the budget contains narrow funding for new staff positions and professional services, which are targeted for new or enhanced HPC activities and essential to meet the agency's statutory responsibilities in FY16. Mr. Seltz noted that this projected funding will support care delivery and payment reform initiatives, performance improvement plans, technical assistance for CHART hospitals, behavioral health integration initiatives, and enhancements of the APCD to include Medicaid claims and behavioral health carve-out data.

Mr. Seltz noted the CHART Investment Program will continue over the next few years. He stated that, once the funds in the Distressed Hospital Trust Fund are exhausted, the operational costs of the program will be phased out.

Mr. Seltz reminded commissioners that the HPC spent $9.2 million of the Distressed Hospital Trust Fund on CHART Phase 1 and $62 million on Phase 2. He noted that there is $36.8 million for future phase investments. He said that the HPC is collaborating with MassHealth to align investment strategies.

Mr. Seltz reviewed key variances in the FY16 budget. He noted that there will be an increase in the line item for employee salaries to reflect annualized salaries for all employees hired in FY15. He added that the increase in administrative spending is due to the annualized rent of the HPC's new office. Mr. Seltz stated that the increase in professional services is linked to the launch of new programs.

Mr. Seltz noted that, since the HPC operates with trust funds, the agency is required to pay a state levy for certain employee benefits. This includes a benefit fringe rate of approximately 30% on employee salary as well as a 10% assessment on the HPC's budget diverted to the Office of the State Comptroller for disbursement to various state oversight agencies and departments.

Dr. Hattis asked how the HPC estimates the budget for consultant services, clarifying whether the staff considers the expense for potential CMIRs. Mr. Seltz responded that staff considers all potential costs when proposing the budget. He noted that the FY16 budget includes funding for a potential CMIR.

Mr. Seltz stated that the HPC is partially funded by a One-Time Assessment on certain payers and providers. He added that this assessment also provides funds to the Prevention and Wellness Trust Fund and the e-Health Institute Trust Fund. Mr. Seltz noted organizations could opt to pay this assessment in one lump sum or over four years. He stated that FY16 will be the final year for the HPC to collect on the assessment. He said that, starting in FY17, the HPC will be funded by a new annual assessment of hospitals, surgery centers, and health plans.

Mr. Seltz said that the HPC will collect an annual assessment beginning in FY17. He stated that many of the entities that will be assessed are on the HPC's Advisory Council and, as such, the HPC will engage them throughout the collection process. He proposed that, to maintain transparency, the HPC could create an ANF sub-committee of the Advisory Council.

At this point, Secretary Sudders left the meeting.

Dr. Altman stated in support that the budget reflects a tradeoff between using outside consultants and hiring staff. He asked for a motion to approve the FY16 budget, as presented. **Ms. Turner** made a motion to approve the HPC budget. **Mr. Lord** seconded the motion. The motion passed with unanimous consent.

Mr. Lord noted that, prior to leaving the meeting, Secretary Sudders voiced her support for the HPC's proposed FY16 budget.

ITEM 9: Schedule of Next Commission Meeting (September 9, 2015)

Dr. Altman concluded the formal agenda. He stated that the next board meeting will take place on September 9, 2015 at 1 Ashburton Place.