MINUTES OF THE HEALTH POLICY COMMISSION

Meeting of July 27, 2016

MASSACHUSETTS HEALTH POLICY COMMISSION

Date of Meeting: Wednesday, July 27, 2016
Start Time: 1:00 PM
End Time: 4:00 PM

	Present?	ITEM 1: Minutes from April 26, 2016	ITEM 2: Issuance of Preliminary CMIR Report	ITEM 3: Approval of HCII Awards	ITEM 3: HPC FY2017 Budget	ITEM 4: PCMH PRIME TA Contract	ITEM 5: Final Regulation on Annual Assessment
Carole Allen	X	2nd	X	X	X	2nd	X
Stuart Altman*	X	X	X	X	2nd	M	M
Don Berwick	X	X	X	X	X	X	X
Martin Cohen	X	X	X	X	X	X	X
David Cutler	X	X	M	M	X	X	2nd
Wendy Everett	X	M	2nd	2nd	M	X	X
Rick Lord	A	A	A	A	A	A	A
Ron Mastrogiovanni	X	X	X	X	X	X	X
Marylou Sudders	X	X	X	X	X	NO	X
Kristen Lepore	X	X	X	X	X	X	X
Veronica Turner	A	A	A	A	A	A	A
Summary	**9 Members Attended**	**Approved with 9 votes in the affirmative**	**Approved with 9 votes in the affirmative**	**Approved with 9 votes in the affirmative**	**Approved with 9 votes in the affirmative**	**Approved with 8 votes in the affirmative**	**Approved with 9 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 27, 2016 at 1:00 PM.

Commissioners present included Dr. Stuart Altman (Chair); Dr. Wendy Everett (Vice Chair); Dr. Donald Berwick; Dr. Carole Allen; Dr. David Cutler; Mr. Martin Cohen; Mr. Ron Mastrogiovanni; Ms. Lauren Peters, designee for Secretary Kristen Lepore, Executive Office of Administration and Finance; and Secretary Marylou Sudders, Executive Office of Health and Human Services.

Dr. Altman called the meeting to order at 1:07 PM.

ITEM 1: Approval of Minutes from April 27, 2016

Dr. Altman solicited comments on the minutes from June 1, 2016. Seeing none, he called for a motion to approve the minutes, as presented. **Dr. Everett** made a motion to approve the minutes. **Dr. Allen** seconded. The minutes were unanimously approved.

ITEM 2: Cost Trends and Market Performance

Dr. Cutler, Chair of the Cost Trends and Market Performance Committee, provided a brief outline of the topics to be covered at the day's meeting.

ITEM 2a: Update on Notice of Material Change

Dr. Cutler introduced Ms. Katherine Mills, Policy Director for Market Performance. Ms. Mills provided an update on new Material Change Notices (MCN) received by the HPC since the last Board meeting. For more information, see slides 7-8.

Ms. Mills explained that the HPC has proposed an update to the MCN process. This update clarifies in what circumstances Accountable Care Organizations (ACOs) will be required to file an MCN. Ms. Mills explained that transactions involving solely Medicare or Medicaid ACO formation and participation will not be required to file an MCN. For more information, see slides 10-11.

Dr. Altman asked how this information would be disseminated to the broader public. Ms. Mills said that the HPC will be releasing a Frequently Asked Questions document on its website.

Mr. David Seltz, Executive Director, clarified that the proposed FAQ document would also be shared with major association groups. He stated that the HPC often receives questions from major providers about requirements for filing an MCN and MassHealth often communicates with potential ACOs through Medicaid, presenting additional opportunities to transmit information about the clarification.

ITEM 2c: Approval of Preliminary Cost and Market Impact Review

Dr. Cutler introduced the discussion of the Preliminary Cost and Market Impact Review (CMIR). He explained that the goal of the day's discussion is to determine what further information the HPC may require to determine whether the proposed transactions should be referred to the Attorney General's Office (AGO). Dr. Cutler noted that, at the September 7 meeting, the Board will discuss the Final Report on the CMIRs.

Dr. Berwick asked what happens after a transaction is referred to the AGO. Dr. Cutler referred the question to Ms. Lois Johnson, General Counsel.

Ms. Johnson explained that, under Chapter 224, the Attorney General has discretion to act to potentially pursue a law-enforcement action, but there is no requirement that she do so. Ms. Johnson said that the Report can be used as evidence if the AGO decides to pursue a lawsuit.

Dr. Altman asked the Board if there were other questions around the CMIR process. Hearing none, Dr. Cutler turned the discussion over to Mr. Seltz, and thanked the staff for their work on the Preliminary CMIR report.

Mr. Seltz explained that following an affirmative vote to issue the Preliminary Report on the CMIRs, the report would become public and be posted on the HPC's website. He noted that certain slides had been redacted as they contain confidential information.

Mr. Seltz explained that, throughout the CMIR process, the HPC examines both the potential for positive outcomes as well as the possibility of negative outcomes.

Ms. Mills thanked the parties under review and other market participants who provided information in the course of the HPC's review. Ms. Mills introduced Ms. Megan Wulff, Deputy Director for Market Performance, and Mr. Sasha Hayes-Rusnov, Project Manager for Market Performance, to present the findings from the Preliminary CMIR Report.

Mr. Hayes-Rusnov gave an overview of the transactions under review. For more information, see slides 14-18.

Ms. Wulff explained the review structure and process under which the transactions were evaluated. She outlined the organizations involved in the transactions under review and their respective places in the market: Beth Israel Deaconess Care Organization (BIDCO), New England Baptist Hospital (NEBH) and New England Baptist Clinical Integration Organization (NEBCIO), MetroWest Regional Medical Center (MetroWest), Beth Israel Deaconess Medical Center (BIDMC), and Harvard Medical Faculty Physicians at BIDMC (HMFP). For more information, see slides 19-29.

Dr. Altman noted that the charts on slides 27 and 28, on relative prices and health status adjusted total medical expenditure (TME) respectively, show significant deviations between the two. He noted that this different demonstrates the need to review data on both relative price and TME when undertaking this process.

Dr. Allen asked for clarification on what accounts for the difference in the reported data on relative prices and TME. Ms. Mills responded that the data represented different payers in different years. She explained that the HPC often observes different pricing and different TME from different payers for the same provider. Ms. Mills further stated that one could see higher relative price and lower TME if an organization had had invested substantial resources in efficient care delivery.

Secretary Sudders asked for clarification on slide 29, which states that NEBH has a large market share for orthopedic and musculoskeletal services. She asked whether it is still second to Partners HealthCare. Ms. Mills responded in the affirmative, noting that NEBH's market share is 27.9% while Partner's is 30.5%.

Secretary Sudders noted that NEBH's market share for outpatient orthopedic surgery is significantly smaller than Partners'. Ms. Mills confirmed that that was the case.

Mr. Hayes-Rusnov provided an overview of the quality and care delivery baseline assessment of the parties. For more information, see slides 30-32.

Dr. Everett asked if the volume figures factor in referrals from national providers or if they only consider patients from within the Commonwealth. Ms. Wulff clarified that, when examining the market share of these entities, the numbers exclusively include residents of the Commonwealth. Mr. Hayes-Rusnov added that the denominator in the quality metrics, however, takes into account all patients and not just Massachusetts residents.

Mr. Hayes-Rusnov provided an overview of the report's findings for each of the parties on access metrics. For more information, see slides 33-37.

Dr. Altman asked whether the data presented on BIDMC includes all of its affiliate hospitals and providers. Mr. Hayes-Rusnov responded that the data was for the BIDMC academic medical center only and not its affiliates.

Commissioners and staff discussed the potential impacts of only including data for BIDMC's academic medical center, including potential variation in payer mix across BIDMC hospitals.

Referring to slide 35, Dr. Berwick noted that NEBH's Medicaid numbers appear to be extremely low. He asked for clarification on this data point. Mr. Hayes-Rusnov responded that NEBH has a private-physician group model which may account for part of this data trend. He noted that the HPC has not completed additional analysis of why NEBH's government payer mix is relatively low.

Dr. Allen added that NEBH also does not care for children and that a large portion of Medicaid patients are young, which could also be a factor in the low Medicaid number.

Ms. Mills explained that NEBH has made a commitment to expand access for Medicaid patients. She also stated that NEBH only recently began receiving revenue from Medicaid MCOs which could indicate that they are entering into new contracts that might allow them to see more Medicaid patients.

Ms. Mills added that NEBH opened a Medicaid "dual-eligible" clinic at the end of 2014. She noted that the displayed data from 2015 may reflect a "ramp up" period.

Mr. Hayes-Rusnov reviewed data on service mix for the proposed transaction.

Mr. Cohen asked Mr. Hayes-Rusnov if the payer mix changes significantly looking at the behavioral health numbers for MetroWest. Mr. Hayes-Rusnov responded that the HPC did not examine payer mix by service line.

Ms. Wulff provided an overview of the cost impact section of the findings. For more information, see slides 38-46.

Secretary Sudders asked for clarification on whether the post affiliation BIDCO/NEBH market share of orthopedic and musculoskeletal services only considers adult patients. Ms. Mills responded that the HPC did not remove services for children from the data so the result applies to the entire market for those services. She noted that children are generally underrepresented in orthopedic services.

Dr. Cutler asked Ms. Wulff to confirm that the data on market share, represented on slide 41, do not include any projected change in patient population. Ms. Wulff confirmed that this was the case.

Dr. Altman asked if payers' contracts with hospitals or health systems are normally for a particular type of service or for all services. Ms. Mills responded that contracts are generally part of a broader negotiation rather than for a single service.

Dr. Berwick asked Dr. Cutler to provide a brief tutorial on HHI. Dr. Cutler explained that that, in most cases, a market with an HHI greater than 2,500 is considered highly-concentrated. Dr. Cutler explained that because the HHIs in healthcare are generally high, most economists look at to what extent a transaction will affect the ability of an entity to demand higher prices on the market.

Dr. Everett stated that the HPC focuses on examining the change in HHI before and after the transaction.

Ms. Mills added that, under Department of Justice and Federal Trade Commission guidelines, if a transaction results in a change in HHI of over 200, there is a presumption that competition may be impaired. She noted that HHIs were only one of the analyses completed by the HPC and that other data were consistent with the findings of the HHI analysis.

Mr. Hayes-Rusnov provided an overview of the potential impact of the transactions on quality of care and access. For more information, see slides 47-49.

Mr. Mastrogiovanni stated that the findings appeared to suggest that these transactions could result in a potential increase in access, a potential increase in quality, and basically no increase in pricing. He asked if this interpretation was accurate.

Ms. Mills responded that the HPC sees the potential for a small to moderate increase in pricing based on existing contracts. She added that the report flags that the market is becoming increasingly consolidated, which could increase the leverage of the BIDCO system to negotiate higher rates.

Ms. Mills noted that BIDCO has not historically had high rates. She said that the report cites the importance of continuing to monitor BIDCO to see how it uses this increased leverage moving forward.

Dr. Cutler asked whether the HPC accounted for the potential of increased physician salaries and whether this would have an effect on the total cost. Ms. Mills responded that the HPC's data analysis focused on the exchange of funds between payers and providers, not the internal flow of funds within an organization.

Dr. Cutler asked whether the organizations made any commitments not to get higher rates from the payers. Ms. Mills stated that there has been no such commitment. She said that the HPC requested savings estimates from the parties and these were taken into account in the analysis of utilization and referral patterns.

Dr. Cutler noted that one of the stated arguments for the transaction was that it would put these parties in a better position to take market share from the dominant provider and that the analysis in the report appears to be very skeptical that this will occur.

Dr. Cutler also noted that it remains an open question in economics as to how a provider - other than the leading provider - capturing a larger market share affects rates overall.

Dr. Cutler noted that, with several years of data from the BIDCO system, there does not appear to be evidence either way as to whether the system has been making good on its potential to realize efficiencies in care-management practices and routing of patients.

Dr. Cutler said that he would like to hear from the parties on how these transactions will yield care delivery efficiencies and the timeline for realizing these savings.

Dr. Everett asked how BIDCO believed its transaction with NEBH would improve quality of care, how this would be measured, over what time improvement would be expected, and how the Board would know that these transactions had resulted in higher-quality care.

Mr. Mastrogiovanni asked that, assuming there is no change in quality or cost from the transactions, whether the team had looked at the potential competitive impact on actors in the market other than Partners HealthCare System. Ms. Mills responded that the question ties back to Dr. Cutler's point about what happens in a market place in which the number two system becomes bigger. She said it is an open research question as to whether this is ultimately good for competition. Dr. Cutler agreed that there is very little case history in this area from which firm conclusions might be drawn.

Dr. Allen thanked the team for its presentation and asked for clarification on the potential impact on the patient population for MetroWest given this and past transactions. She further asked whether a community needs assessment had been completed. Dr. Allen also asked how physicians and the community would respond to these changing affiliations. Mr. Hayes-Rusnov responded that these questions would be great for follow-up with the parties and noted that he had not seen specific information on the opinion of the MetroWest community on changes in affiliation.

Ms. Mills noted that the parties had submitted a robust community needs assessment on service needs for the MetroWest service area. She said that as the transactions may bring new services to the community.

Dr. Berwick echoed that it would be helpful to obtain additional information from the parties to deepen the Board's understanding on how strengthening the second largest player in the market might affect overall competition.

Dr. Berwick also echoed Dr. Everett's noting that he would like to see specifics on how the affiliation of NEBH with BIDCO would improve quality across the BICCO system.

Dr. Berwick also raised concerns about NEBH's low Medicaid numbers and asked that the parties provide specifics on how and when they plan to increase service to this population.

On slide 42, Dr. Berwick noted that the HHI table showed a regional distribution. He asked the team to examine how competition would be impacted locally by the transactions.

Secretary Sudders said that when exploring NEBH's low Medicaid numbers, the Board needs to understand whether these figures are a result of the Medicaid-managed care organizations not contracting with NEBH or its PCPs, and what the parties will do to increase access to Medicaid patients.

Secretary Sudders also suggested that the size of the entities post transaction is not necessarily a negative factor and that it might be best for the Commonwealth to have a large competitor to the largest system in the state. Secretary Sudders stated that she hoped the report would be objective with regards to size.

Dr. Altman addressed the topic of competition and acknowledged that it is difficult to clearly understand the implication of the transactions. He emphasized the importance of understanding leverage in the marketplace. He said that the Board is dealing with a very complicated set of issues and suggested that it was worthy of further discussion beyond the Board's decision today.

Dr. Cutler said that several anti-trust economists had been consulted in general terms about this topic and suggested that it might be good to get feedback from them about this specific case.

Mr. Cohen noted that the discussion of quality improvement had thus far been focused on NEBH and that, from the MCN for MetroWest, he recalled a focus on quality. He urged the Board to pursue a similar line of questioning on quality improvement for MetroWest.

Dr. Everett added that the Board is struggling with the question of how big is big enough to be successful with alternative payment systems and how big is too big for the market. She noted that there are size requirements for certification to become an ACO or patient-centered medical home.

Ms. Peters asked if the team could examine prior transactions with BIDCO and examine how those facilities' prices were affected and how nearby competitor facilities' prices were affected. Ms. Mills responded that that the HPC attempts to complete this type of analysis. She noted that, because the BIDCO system is relatively new, for some components of data there still is not a full

year of metrics. She said this is another reason the team emphasized the importance of continued monitoring of the system.

Ms. Mills stated that the team had looked at the data that was available for groups that had joined the BIDCO system. She noted that the HPC did not observe significantly higher commercial volume at facilities after associating with BIDCO which led to some skepticism of the idea that the transaction with MetroWest, for example, would allow it to capture much more of the commercial market from its nearby competitors.

Ms. Mills stated that the HPC also examined changes in quality and did not find significant changes from BIDCO affiliation but, with more data available for BIDMC affiliations, had seen that clinical affiliation with BIDMC did correlate to an improved patient experience and some clinical process measures.

Dr. Cutler noted that the report shows that most increased patient flow from the transaction would come from non-Partners', non-AMC entities. He cited the case of Quincy Medical Center losing market share to the point that it eventually closed.

Dr. Cutler suggested that the HPC take this feedback and devise a set of questions to send back to the parties and circulate the questions with the commissioners before forwarding the document to the parties.

Dr. Cutler motioned to approve to the preliminary CMIR. **Dr. Everett** seconded. The motion passed unanimously.

Dr. Altman thanked the team and dismissed the Board for a ten-minute break.

ITEM 3: Community Health Care Investment and Consumer Improvement

Dr. Everett provided a brief overview of work completed since the last Board meeting for the CHICI Committee.

ITEM 3a: Approval of the HPC's Innovation Investment Awards

Dr. Everett introduced the HPC's Health Care Innovation Investment (HCII) Program. She thanked Mr. Griffin Jones, Program Manager for Care Delivery Innovation and Investment, and Ms. Cecilia Gerard, Director, Strategic Initiatives, for their work managing the review process.

Dr. Everett noted that there had been a robust response to the request for grant applications and that the reviewers were thrilled to have received over 80 applications for 10 awards. She said that the intent of these investments is to develop partnerships.

Mr. Seltz provided an overview of the Health Care Innovation Investment Program. For more information, see slides 54-56.

Noting his involvement in the review and selection committee, Mr. Cohen stated that that he was impressed by the entire process leading to award consensus. Dr. Everett concurred.

Dr. Everett added that, during review and selection, each proposal was accompanied by a calculated return on investment. This allowed the reviewers understand the anticipated effect of each grant.

Mr. Seltz noted that the HPC received the highest number of applications for two challenge areas: behavioral health integration and addressing social determinants of health. He noted that these two categories accounted for 26 proposals.

Mr. Seltz provided an overview of the different investment pathways and presented a summary of the recommendations. For more information, see slides 57-69.

Dr. Cutler asked about the sustainability of the grant program. Mr. Seltz responded the HPC inquired about sustainability in the application proposals.

Dr. Everett asked Mr. Seltz to clarify the difference between the Category A and Category B applicants for NAS Intervention grants outlined on slide 66. Mr. Seltz explained that Category A awards limited grants for in-patient care from delivery of NAS infants to their discharge. Category B grant programs span in-patient and out-patient services and are intended increase treatment to the mother six months prior to birth through the post-natal period.

Dr. Allen asked whether the HPC would publish results from the HCII programs. Mr. Seltz explained that the HPC would be working to develop models to help disseminate evidence-based information.

Dr. Cutler asked whether the HPC will provide feedback to the applicants whose proposals were not accepted. Mr. Seltz responded that the HPC will be sending notices to those organizations following the day's meeting. He said that he hopes the HPC will be able to stay engaged with these organizations for future proposals.

Dr. Altman said that the Board needed to bring the recommendations to a vote.

Dr. Cutler motioned to approve to the HCII awards. **Dr. Everett** seconded. The motion passed unanimously.

Dr. Altman thanked everyone involved with the review. He noted that grants are an important part of the HPC's work.

ITEM 4: Administration and Finance

Dr. Altman provided an update on activities related to the Administration and Finance Committee.

ITEM 4a: Approval of HPC FY2017 Budget

Mr. Seltz provided an overview of the HPC's FY2017 budget. For more information, see slides 73-82.

Dr. Everett motioned to approve to the HPC FY2017. **Dr. Altman** seconded. The motion passed unanimously.

ITEM 4b: Approval of PCMH PRIME TA Contract

Mr. Seltz provided an overview of the PCMH PRIME technical assistance contract. For more information, see slides 85-89.

Secretary Sudders noted the large contract amount for work with Health Management Associates. Given that Health Management Associates is already working with some practices in Massachusetts, she asked how the HPC will ensure they do not cost-shift into this contract. Ms. Katie Barrett, Policy Director for Accountable Care, responded that $1 million is the cap on the contract and all work will be approved by the HPC. She further explained that the practices currently working with HMA are focusing on the PCMH core components, not the thirteen behavioral health integration criteria.

Mr. Seltz stated that the HPC will update the committees regularly on this contract, including plans and projections around actual spending.

Mr. Cohen stated that he also initially felt that the figure was high. He noted that, through a review of the proposals submitted to the HPC, he found that the high contract amount matches the amount of direct work with providers.

Dr. Altman asked if there were any further comments.

Dr. Altman motioned to approve the PCMH PRIME contract. **Dr. Allen** seconded. The contract passed with eight votes in favor. Secretary Sudders voted against the motion.

ITEM 4c: Approval of CHART Phase 2 TA Contract

Mr. Seltz provided an overview of a proposed CHART Phase 2 technical assistance contract. For more information, see slides 92-93.

Dr. Altman motioned to approve the contract. **Mr. Cohen** seconded. The motion passed unanimously.

ITEM 4b: Approval of Final Regulation on Annual Assessment

Ms. Johnson provided an overview of the final regulation governing the HPC's Annual Assessment. For more information, see slides 96-99.

Secretary Sudders asked for clarification on the effective date of the assessment. Ms. Johnson replied that the effective date of the regulation is August 12, 2016 and that the HPC would begin to collect the assessment October 1.

Ms. Johnson stated that the assessment would collect HPC's operating expenses and fringe benefits, which amounts to roughly $9.9 million.

Dr. Altman made a motion to approve the final regulations governing the HPC's operating assessment. **Dr. Cutler** seconded. The motion passed unanimously.

ITEM 5: Report from the Executive Director

Mr. Seltz outlined ongoing HPC activities. For more information, see slides 102-103.

ITEM 5a: Discussion of 2016 Cost Trends Report

Mr. Seltz provided an overview of the 2016 Cost Trends Report. For more information, see slides 105-106.

Ms. Coleen Elstermeyer, Deputy Executive Director, informed the Board that Pre-Filed Testimony questions for the 2016 Cost Trends Hearing are on the HPC's website. She noted that the HPC would post responses to the testimony as they are received.

ITEM 6: Schedule of Next Meeting (September 7, 2016)

Dr. Altman announced that the next Board meeting will take place on September 7. He adjourned the meeting at 3:00 PM.