



*The Commonwealth of Massachusetts
Health Policy Commission
Two Boylston Street
Boston, MA 02116*

August 28, 2013

Mr. Kevin Hovan, President and CEO
Southcoast Hospital Group
101 Page Street
New Bedford, MA 02740

Dear Mr. Hovan:

UPDATE: The previous letter you received, dated August 26, 2013, contained an incomplete list of questions under Exhibit C. Please see Exhibit C (attached) for the complete list of questions. Please respond by Friday, September 27, 2013.

The Health Policy Commission (HPC), in collaboration with the Office of the Attorney General (OAG) and the Center for Health Information and Analysis (CHIA), is required by state law to hold annual public hearings concerning health care cost trends in the Commonwealth. (See the Notice of Public Hearing attached as "Exhibit A."). G.L. c. 6D §8 requires the HPC to identify a representative sample of health care providers and payers as witnesses for the hearing. In accordance with these provisions, Southcoast Hospital Group has been identified as a witness and is hereby requested to submit written testimony in response to the questions of the HPC in "Exhibit B" and questions of the OAG in "Exhibit C."

While this testimony must be in writing, **you may also be called for oral testimony** on one or more dates of the hearing scheduled for October 1 and 2, 2013. You will be notified regarding oral testimony in a separate letter.

Your assistance and active participation in this hearing process will assist the HPC in preparing its annual report on statewide spending trends, including underlying factors contributing to growth and strategies to increase the efficiency of the Commonwealth's health care system.

In summary, Southcoast Hospital Group is required to:

1. electronically submit to HPC written testimony, signed under the pains and penalties of perjury, responding to the areas of inquiry identified on the attached "Exhibit B" and "Exhibit C" on or before the close of business on **Friday, September 27, 2013**; and
2. be prepared to appear at a public hearing to provide oral testimony at some time on October 1 and 2, 2013.

The written testimony should be submitted to HPC-Testimony@state.ma.us. Any and all written testimony will be a public record and will be posted on the HPC's website at www.mass.gov/hpc.

Thank you for your attention to this important matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Seltz", with a stylized flourish at the end.

David Seltz
Executive Director

CC: Stuart Altman, Ph.D., Chair, Health Policy Commission

CC: Thomas O'Brien, Chief, Health Care Division, Office of the Attorney General

CC: Áron Boros, Executive Director, Center for Health Information and Analysis

Enclosures:

Exhibit A: Notice of Hearing

Exhibit B: Instructions and HPC Questions for Written Testimony

Exhibit C: Instructions and OAG Questions for Written Testimony

Exhibit A

NOTICE OF PUBLIC HEARING

Pursuant to M.G.L. c. 6D, §8, the Health Policy Commission, in collaboration with the Office of the Attorney General and the Center for Health Information and Analysis, will hold a public hearing on health care cost trends. The hearing will examine health care provider, provider organization and private and public health care payer costs, prices and cost trends, with particular attention to factors that contribute to cost growth within the Commonwealth's health care system.

Scheduled hearing dates and location:

Tuesday, October 1, 2013, 9:00 AM
Wednesday, October 2, 2013, 9:00 AM
University of Massachusetts Boston Campus Center
Third Floor, Ballrooms B and C
100 Morrissey Boulevard Boston, MA 02125

Time-permitting, the HPC will accept oral testimony from members of the public beginning at 4:00 PM on Wednesday, October 2. Any person who wishes to testify may sign up to offer brief comments on a first-come, first-served basis when the hearing commences on October 1.

Members of the public may also submit written testimony. Written comments will be accepted until October 11, 2013 and should be submitted electronically to HPC-Testimony@state.ma.us, or, if comments cannot be submitted electronically, sent by mail, post-marked no later than October 11, 2013, to the Health Policy Commission, Two Boylston Street, 6th floor, Boston, MA 02116, attention Lois H. Johnson.

Please note that all written and oral testimony provided by witnesses or the public may be posted on the HPC's website: www.mass.gov/hpc.

The HPC encourages all interested parties to attend the hearing. For driving and public transportation directions, please visit: http://www.umb.edu/the_university/getting_here/directions. If you are driving, please park in the Bayside Lot, 200 Mt. Vernon Street at the former Bayside Expo site (cost: \$6). Free shuttle service runs every 5-7 minutes from the Bayside Lot to the Campus Center. If you are taking public transportation, UMass Boston runs a free shuttle service from JFK/UMass Station (which serves both the Red Line and Old Colony Line) to the Campus Center. The trip normally takes less than 10 minutes.

If you require disability-related accommodations for this hearing, please contact Kelly Mercer at (617) 979-1420 or by email Kelly.A.Mercer@state.ma.us a minimum of two weeks prior to the hearing so that we can accommodate your request.

For more information, including details about the agenda, expert and market participant panelists, testimony and presentations, please check the Annual Cost Trends Hearing section of the HPC's website, www.mass.gov/hpc. Materials will be posted regularly as the hearing dates approach.

Exhibit B: Instructions and HPC Questions for Written Testimony

Instructions:

On or before the close of business on September 23, 2013, electronically submit **in both PDF and Microsoft Word format** written testimony signed under the pains and penalties of perjury to: HPC-Testimony@state.ma.us. Please submit any data tables included in your response in **Microsoft Excel or Access format**.

Please begin all responses with a brief summary not to exceed 120 words. If necessary, please include supporting testimony or documentation in an Appendix. If your organization uses an 'other', 'miscellaneous', or similar category in any response, please explain what such a category includes.

The testimony must contain a statement that the signatory is legally authorized and empowered to represent the named organization for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.

If you have any questions regarding this process or regarding the following questions, please contact: Lois Johnson at Lois.Johnson@state.ma.us or (617) 979-1405.

Questions:

1. Chapter 224 of the Acts of 2012 (c.224) sets a health care cost growth benchmark for the Commonwealth based on the long-term growth in the state's economy. The benchmark for growth between CY2012- CY2013 and CY2013-CY2014 is 3.6%.
 - a. What are the actions your organization has undertaken to reduce the total cost of care for your patients?
 - b. What are the biggest opportunities to improve the quality and efficiency of care at your organization? What current factors limit your ability to address these opportunities?
 - c. What systematic or policy changes would encourage or help organizations like yours to operate more efficiently without reducing quality?
 - d. What steps are you taking to ensure that any reduction in health care costs is passed along to consumers and businesses?
2. The 2013 Examination of Health Care Cost Trends and Cost Drivers by the Attorney General's Office found that growth in prices for medical care continues to drive overall increases in medical spending. What are the actions your organization has undertaken to address the impact of the growth in prices on medical trend and what have been the results of these actions?
3. C.224 seeks to promote the integration of behavioral and physical health. What are the actions your organization has undertaken to promote this integration?
 - a. What potential opportunities have you identified for such integration?
 - b. What challenges have you identified in implementing such integration?
 - c. What systematic or policy changes would further promote such integration?
4. C. 224 seeks to promote more efficient and accountable care through innovative care delivery models and/or alternative payment methods.
 - a. Describe your organization's efforts to promote these goals.
 - b. What current factors limit your ability to promote these goals?

- c. What systematic or policy changes would support your ability to promote more efficient and accountable care?
- 5. What metrics does your organization use to track trends in your organization's operational costs?
 - a. What unit(s) of analysis do you use to track cost structure (e.g., at organization, practice, and/or provider level)?
 - b. How does your organization benchmark its performance on operational cost structure against peer organizations?
 - c. How does your organization manage performance on these metrics?
- 6. Please describe the actions that your organization has undertaken or plans to undertake to provide patients with cost information for health care services and procedures, including the allowed amount or charge and any facility fee, as required by c.224.
- 7. After reviewing the reports issued by the Attorney General (April 2013) and the Center for Health Information and Analysis (August 2013), please provide any commentary on the findings presented in light of your organization's experiences.

Exhibit C: Instructions and OAG Questions for Written Testimony

Instructions:

On or before the close of business on September 23, 2013, electronically submit **in both PDF and Microsoft Word format** written testimony signed under the pains and penalties of perjury to: HPC-Testimony@state.ma.us. Please submit any data tables included in your response in **Microsoft Excel or Access format**.

Please begin all responses with a brief summary not to exceed 120 words. If necessary, please include supporting testimony or documentation in an Appendix. If your organization uses an ‘other’, ‘miscellaneous’, or similar category in any response, please explain what such a category includes.

The testimony must contain a statement that the signatory is legally authorized and empowered to represent the named organization for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.

If you have any questions regarding this process or regarding the following questions, please contact Courtney Aladro at Courtney.Aladro@state.ma.us or (617) 963-2545:

Questions:

Please note that these pre-filed testimony questions are for providers and hospitals. To the extent that a hospital submitting pre-filed testimony responses is affiliated with a provider system also submitting pre-filed testimony responses, each entity may reference the other’s response as appropriate.

1. For each year 2009 to present, please submit a summary table showing your operating margin for each of the following three categories, and the percentage each category represents of your total business: (a) commercial business, (b) government business, and (c) all other business. Include in your response a list of the carriers or programs included in each of these three margins, and explain and submit supporting documents that show whether and how your revenue and margins are different for your HMO business, PPO business, or your business reimbursed through contracts that incorporate a per member per month budget against which claims costs are settled.
2. If you have entered a contract with a public or commercial payer for payment for health care services that incorporates a per member per month budget against which claims costs are settled for purposes of determining the withhold returned, surplus paid, and/or deficit charged to you, including contracts that do not subject you to any “downside” risk (hereafter “risk contracts”), please explain and submit supporting documents that show how risk contracts have affected your business practices, including any changes you have made, or plan to make, to care delivery, operational structure, or to otherwise improve your opportunities for surpluses under such contracts, such as any changes to your physician recruitment or patient referral practices. Include in your response any analysis of the impact of changes in your service mix, payer mix, or patient member type (e.g., HMO v. PPO, fully-insured v. self-insured) on your opportunities for surpluses.

3. Please explain and submit supporting documents that show how you quantify, analyze, and project your ability to manage risk under your risk contracts, including the per member per month costs associated with bearing risk (e.g., costs for human resources, reserves, stop-loss coverage), solvency standards, and projections and plans for deficit scenarios. Include in your response any analysis of how your costs or risk-capital needs would change due to changes in the risk you bear on your commercial or government business.
4. Please describe and submit supporting documents regarding how, if at all, you track changes in the health status of your patient population or any population subgroups (e.g., subgroups by carrier, product, or geographic area).
5. Please submit a summary table showing for each year 2009 to 2012 your total revenue under pay for performance arrangements, risk contracts, and other fee for service arrangements according to the format and parameters provided and attached as AGO Exhibit 1 with all applicable fields completed. Please attempt to provide complete answers. To the extent you are unable to provide complete answers for any category of revenue, please explain the reasons why. Include in your response any portion of your physicians for whom you were not able to report a category (or categories) of revenue. **Responses must be submitted electronically using the Excel version of the attached exhibit. To receive the Excel spreadsheet, please email HPC-Testimony@state.ma.us.**
6. Please identify categories of expenses that have grown (a) 5% or more and (b) 10% or more from 2010 to 2012. Please explain and submit supporting documents that show your understanding as to the factors underlying any such growth.
7. Please describe and submit supporting documents regarding any programs you have that promote health and wellness (hereinafter “wellness programs”) for (1) patients for whom you are the primary care provider; (2) patients for whom you are not the primary care provider; and (3) employees. Include in your response the results of any analyses you have conducted regarding the cost benefit of such wellness programs.