Exhibit B: HPC Questions for Written Testimony

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?**

Testimony:

a. Acton Medical Associates, P.C. (hereinafter Acton Medical) has undertaken numerous actions to control health care costs including:
    - Employing triage nurses that manage patient care using evidence-based protocols, avoiding unnecessary office visits.
    - Providing in-house diagnostic services such as x-ray, ultrasound, bone densitometry, and many others that are typically reimbursed at lower rates than at hospitals, reducing costs for both patients (copayments and deductibles) and insurers.
    - Providing in-house clinical services such as anticoagulation management, allergy clinics and vaccination clinics that would be more costly if provided in a hospital setting.
    - Employing various care coordinators such as a social worker and quality assurance nurses to ensure that patients receive appropriate care in a timely manner.
    - Actively managing patient referrals to low-cost, high-quality providers in Acton Medical's network to help contain healthcare costs.

b. Quality and efficiency of care could be improved at Acton Medical as follows:
    - Strengthening the referral management process by requiring all patients to select a primary care provider (PCP) to improve care coordination. PCPs should be empowered to direct care to the most cost-effective, care-appropriate specialist or facility to contain healthcare costs. This would be limited by the various benefit plans currently offered by insurers.
    - Improving communication between all healthcare providers such as is underway with the Massachusetts Health Information Exchange. Acton Medical plans to participate in this worthwhile project with great hope and expectation of realizing significant improvement in care coordination. Limitations include compliance with state and federal privacy rules, addressing the current issues with sharing of mental health information, and dealing with the various disparate electronic health records.

c. As was stated in (b) above, Acton Medical encourages consideration for mandating PCP selections for all patients, regardless of insurer or benefit structures. Patients that self-refer often unnecessarily select higher-cost providers or facilities due to perceptions that higher cost must equate to higher quality.

   Acton Medical is encouraged by Chapter 224's medical malpractice reforms but recommends further review. It is difficult to quantify how often providers defensively order diagnostic services, prescribe medications or refer patients to specialists that are believed to be unnecessary simply to avoid the possibility of being named in a malpractice claim.

   Finally, it is our recommendation that Chapter 224's health care cost growth benchmark of 3.6% exclude infrastructure expenditures necessary to implement quality improvement and cost containment initiatives such as a universal health information exchange and innovative care delivery models. Investments in these programs should not be hindered by short-term goals in recognition of the potential long term cost containment benefit.

d. By providing many in-house services as described in (a) above, patients realize immediate healthcare cost savings by reducing their burdens for copayments and deductibles. Also, our triage services provide needed care to patients 24 hours a day and often result in high-quality care at no cost to the patient or insurer while preventing unnecessary and costly visits to emergency facilities.

   Acton Medical also believes that our commitment to aggressive preventive medicine indirectly but ultimately results in healthcare cost savings for both patients 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?

Testimony:

Our organization is cognizant of price and quality in providing care for our patients. We are interested in using low cost, high quality specialists and hospitals. When able, we direct referrals for our patients to community-based specialists. We negotiate competitive, low rates for radiology and reference lab services. We provide radiology and ultrasound services on-site, allowing us to charge lower facility rates than a hospital-based setting. We manage an anticoagulation clinic and an allergy clinic onsite as well.

We are also working to keep patients healthier overall. We see most patients in the office within a week of discharge from the hospital, allowing the primary care physician to

reconcile medications, provide education, and arrange community services when necessary. We are an NCQA-certified Patient-Centered Medical Home, which allows us to provide high-quality, coordinated care to our patients. Our office has 24 hour accessibility, allowing patients to either be seen in the primary care setting, or to obtain medical advice, leading to decreased emergency room utilization.

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?

Testimony:

We have hired a social worker as part of our Patient-Centered Medical Home program, who provides on-site services to patients. She works with patients to connect them with community resources such as elder care, visiting nurse services, family and individual counseling, transportation services, and disability applications. The social worker also provides on-site emergency counseling.

a. What potential opportunities have you identified for such integration?

There is a need for more mental health providers in the community to provide both counseling and medication management, as there can be a long wait for a patient to see a provider. Coordination of care between primary care providers, therapists, and psychiatrists is limited due to additional privacy concerns regarding this type of care. Although this is understandable, it does hamper the ability of the primary care provider to fully integrate mental health services into their medical care of the patient, as the provider often is unaware of the diagnoses their patient has been given, and medications being prescribed by the mental health specialist.

b. What challenges have you identified in implementing such integration?

Communication between our social worker, our primary care providers, and community resources is limited due to concerns regarding patient privacy.

c. What systematic or policy changes would further promote such integration?

Policy changes encouraging more mental health providers in the community would be helpful. Integrating medical records with a health information exchange, to include mental health providers, would allow for smoother coordination of care and better knowledge for all providers in regards to diagnoses, medications prescribed, test results, and other important information to provide safe and appropriate care to patients.

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?**

Testimony:

a. Acton Medical has risk contracts with Tufts Health Plan, Harvard Pilgrim Health Care, Fallon Community Health Plan and Tufts Medicare Preferred. As of August 2013, these contracts cover 8,791 patients. In addition, Acton Medical's contract with HMO Blue includes quality incentives for an additional 7,148 members. These 15,939 patients are referred to Emerson Hospital whenever appropriate to contain healthcare costs and to promote continuity of care.

   Acton Medical successfully recertified with the National Committee for Quality Assurance as a Level III Patient Centered Medical Home. Acton Medical has recently hired a Quality Assurance manager to oversee 3 quality assurance nurses whose responsibilities include tracking needed preventive care such as mammography and colonoscopies.

b. Acton Medical receives quality and cost reports from our risk insurers, but these reports are plan-specific and in formats that are unique to each plan making it difficult to manage our patients globally. Patients that are not included in these reports (i.e. non-risk patients) are tracked through our internal reports, but our inability to manage the referrals for these patients make it difficult to know when they have self-referred for specialty or preventive care. In addition, since most non-risk patients are not required to select a primary care provider, identifying these patients is problematic.

c. Acton Medical is a proponent of mandating PCP selection for all insured patients in Massachusetts. All insurers should provide timely utilization reports in a consistent format so that patients' quality measures and preventive services can be tracked and managed. PCPs should be empowered to manage referrals and direct patients to the least-cost, high-quality services appropriate to the complexity of the patient's condition.

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?**

Testimony:

Acton Medical uses annual and monthly budgets and annual and monthly financial statements to track trends in operational costs.

a. Acton Medical tracks our operational cost at the organization level. Certain operational costs, such as payroll expense, are also tracked at the department level. On an ad hoc basis, Acton Medical performs cost centering analyses for diagnostic, procedural and treatment services.

b. Acton Medical uses benchmarking data provided by MGMA to analyze provider production against national and regional statistics as well as provider and managerial compensation.

c. Acton Medical manages our performance on these metrics by incorporating these factors into our budgeting process. Budget versus actual variance reports are produced monthly. These reports are reviewed at the departmental and executive level. Further analysis and operational adjustments are made when necessary.

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.

Testimony:

Acton Medical plans to provide each insured patient, upon request, with their plan's toll-free phone number and website. Acton Medical staff will be trained to assist patients using either method. Uninsured patients will be provided our office visit charges in advance upon request.

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.

Testimony:

Acton Medical's commentary is expressed in the answers provided above.

Exhibit C: OAG Questions for Written Testimony

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.**

Testimony:

Acton Medical does not allocate operational costs as they relate to a specific insurer or reimbursement model.

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.**

Testimony:

Acton Medical has a long history of managing care including full risk contracts and some non-risk contracts. Our business model and practices have been developed to provide high quality and cost effective services conveniently to all the patients we serve, regardless of a patient's insurance or reimbursement method. We have instituted many internal chronic disease registries, established a reminder system for needed screening tests, have a follow-up system for abnormal test results, track important referrals to completion, calculate patients' HEDIS scores, conduct internal patient satisfaction surveys, subscribe to an on-line secure messaging service, and provide triage services. We believe the investment in this infrastructure has improved the quality of services to all our patients and has optimized our performance under our risk contracts as well. We have not altered our physician recruitment practices; hiring new physicians is undertaken in response to the need in the community for primary care physicians. We tend to refer to local specialists in the area who are lower cost and high quality. We have found that increasing reinsurance costs and overall increased medical expenses have made it more difficult to support the infrastructure needed to maintain risk contracts.

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.

Testimony:

Acton Medical's risk management programs are intertwined with our integrated and coordination of care programs, which are used to improve and augment the care of all of our patients. Acton Medical cannot easily calculate the costs for services as they relate to a specific insurance or reimbursement model except as noted below:

- Risk Management Costs: Acton Medical employs an analyst whose main responsibility is to gather, analyze, audit and report on our risk members' claims activity and to provide analytic support during risk contract negotiations. Her salary and benefits are approximately $1.05 PMPM.
- Staffing Costs: As is detailed below, Acton Medical employs a variety of staff members that directly contribute to the overall coordination of care of our entire patient population. These services are available to all patients, regardless of insurance. As such, these costs cannot be attributed to risk members only.
- Line of Credit: As a for-profit organization, Acton Medical cannot accumulate or maintain reserves against our risk contracts without suffering significant tax burdens. Approximately 13 years ago, Acton Medical secured a line of credit using its assets as collateral for the purpose of establishing a contingency plan against significant risk contract deficits or possible negative cash flows generated at the time of contract termination (claims run-out).
- Stop-Loss Coverage: The actual cost of stop-loss coverage for our 2012 commercial risk members was $14.55 PMPM, and the brokerage fee was an additional $0.74 PMPM.

Commercial Risk Contracts:	2012 Member Months
Tufts	28,145
Fallon	12,643
HPHC	33,819
Total Risk Membership (member months)	74,607

Cost associated with bearing risk and coordination of care*:	2012 Allocation	Risk PMPM
Stop-loss broker	$55,000	$0.74
Stop-loss premium expense	$1,085,538	$14.55
Salary of financial analyst	$78,116	$1.05
Payroll costs of triage nurses	$1,248,000	$16.73
Payroll costs of utilization review staff	$145,689	$1.95
Payroll costs of referral processing	$218,400	$2.93
Payroll costs of registration outreach	$93,661	$1.26
Payroll costs of mental health coordination (LICSW)	$53,263	$0.71
Payroll costs of diabetes education (NP)	$92,290	$1.24
Payroll costs of EMR support staff	$264,801	$3.55
Coumadin clinic nurse salary	$70,244	$0.94
Allergy clinic salary (NP)	$27,073	$0.36
Nurse educator salary	$25,005	$0.34
EMR maintenance and support (support contract)	$230,000	$3.08
Total	$3,687,080	$49.42

* All payroll costs have been adjusted to include the approximate cost of benefits

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).**

Testimony:

> In recent years, health status calculations have become more of a focus for Acton Medical. Health status calculations are very complex and each insurer has its own proprietary formula. With transparency, we could replicate these complex formulas in-house and track our patients' health status consistently regardless of insurance, but these calculations are neither readily available nor consistent. Several of our risk contracts provide quarterly and/or annual health status reports for their members, both at the network level and specifically for Acton Medical's members. Acton Medical has hired consultants to train our staff in an attempt to improve our ability to track changes in health status but, currently, we are neither satisfied with nor confident in this process.

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.

Testimony:

Please see AGO Exhibit 1 attached.

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.**

Testimony:

Our operating expense only increased 3.5% from 2010 to 2011. Our operating expense ***decreased*** by 0.6% from 2011 to 2012.

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.**

Testimony:

As a primary care provider group, Acton Medical is a strong proponent of preventive medicine for all patients, regardless of insurance. As such, risk patients and non-risk patients alike benefit from our care management and quality assurance programs. We require preventive care for all patients and have an extensive follow-up system to be sure these services are performed. We proactively manage chronic health conditions using health registries.

I, Deborah B. Kovacs M.D., Medical Director of Acton Medical Associates, P.C., am authorized to represent Acton Medical Associates, P.C for the purposes of this testimony in response to inquiries from the Health Policy Commission, the Attorney General's Office, and the Center for Health Information and Analysis, and I have signed under the pains and penalties of perjury.

Deborah Kovacs, M.D.
Medical Director and Chief Executive Officer
Acton Medical Associates, P.C.

Dated: September 27, 2013