

September 30, 2013

Health Policy Commission  
Attn: David Seltz  
Two Boylston Street  
Boston, MA 02116

Dear Mr. Seltz

**Introduction**

I am pleased to submit the following testimony in response to your September 13, 2013 letter addressed to our Medical Director.

By way of background, AdCare Hospital is a provider of treatment related to alcohol and drug abuse disorders. AdCare Hospital is licensed by the Department of Public Health Division of Health Care Quality and also holds Certificates of Approval to provide substance abuse services from the Massachusetts Department of Public Health Bureau of Substance Abuse Services. AdCare Hospital is both Medicare and Medicaid certified. AdCare Hospital is accredited by the Joint Commission. AdCare Hospital includes a 114 bed inpatient hospital located in Worcester, MA. AdCare Hospital also provides outpatient treatment at its outpatient locations in Worcester, Boston, Quincy, North Dartmouth, West Springfield and in Warwick, RI. AdCare Hospital admits approximately 6,000 inpatients per year.

The following are the responses requested in Exhibit B of the correspondence we received from you.

- 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 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?**

AdCare Hospital aggressively manages expenses in an effort to provide quality services in as efficient a manner as possible. AdCare Hospital completes an annual operating budget that includes a line item review of all costs in all departments. AdCare Hospital undertakes efforts to negotiate contracts that are as favorable as possible with its vendors. AdCare Hospital reviews the compensation paid to its employees to assure it is fair to its employees but does not create unnecessary costs for the facility.

AdCare Hospital firmly believes that patients with substance use disorders who are engaged in behavioral health services, cost less to the overall health care system than those with substance use disorders that do not engage in appropriate treatment. Those that do not engage in appropriate substance use disorder treatment are high utilizers of ERs and are less likely to take active steps to manage their other medical and psychiatric diagnoses. As such, AdCare Hospital has implemented various clinical activities to enhance quality of care and hopefully reduce overall costs to the health care system associated with substance use patients. Some recent examples include:

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AdCare Hospital developed a team to address patients requiring inpatient services within 30 days of a previous admission. The Team has developed specialized services, follow up, and a special focus on aftercare plan participation to assist the patient in avoiding further admissions.

AdCare Hospital recognizes that a key to reducing the need for additional inpatient admissions, and other more expensive health care services, is for its inpatients to actively engage in their aftercare plan following discharge from our inpatient facility. In response to this, AdCare Hospital implemented its "Continuing to Care with Continuing Care" program. Under this program, all patients leave the inpatient program with an aftercare plan emphasizing the need for follow up care.

AdCare Hospital also recognizes that an issue that plagues the behavioral health field is "no shows" for outpatient appointments. It is not uncommon for patients to contact outpatient providers to schedule initial appointments and be told it could be days or weeks before an appointment is available. Frequently, such patients never show up for the appointment and continue to use drugs or alcohol. Recognizing the likelihood of the patient showing up for their first appointment increases the closer the appointment is to the time that the patient calls for the appointment, AdCare Hospital has implemented an "open access" program in some of its outpatient locations. Under this program, a patient is told to come in on the day they contact the facility for their initial appointment. The availability of immediate outpatient assessments has resulted in increased show rates for this service.

**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?**

AdCare Hospital implemented a certified electronic medical record (EMR) system in its inpatient facility during 2012 and continues to be a meaningful user of said technology. Although AdCare Hospital is supportive of the concept of EMRs and electronic health records for patients, the implementation in our facility has not created cost savings. In fact, the costs related to support such a system exceed the savings associated with the system.

AdCare Hospital believes there is significant waste and opportunities for savings associated with medications that are perfectly good but end up being disposed of. This is because the medications were placed in patient specific blister packs but do not end up being utilized by the intended patient.

- c. What systematic or policy changes would encourage or help organizations like yours to operate more efficiently without reducing quality?**

Standardization amongst insurance payers and reduced administrative requirements related to a variety of matters would help our facility operate more efficiently without reducing quality. For example, licensed clinicians must be credentialed separately by most payers who all have unique credentialing processes. Similarly, most payers require site visits to locations even though the sites have been approved by state agencies to provide services.

- d. What steps are you taking to ensure that any reduction in health care costs is passed along to consumers and businesses?**

AdCare Hospital primarily treats patients that are covered by insurance products. The patient's financial obligations related to treatment are based on their health insurance product. As such, AdCare Hospital has limited ability to assure reductions in costs associated with our care are passed along to consumers and businesses. That being said, as stated above AdCare Hospital manages costs to the best of its abilities to assure it can contract with insurance payers at reasonable and appropriate rates for the services rendered.

- 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 growth in prices on medical trend and what have been the results of these actions?**

As stated above, AdCare Hospital aggressively manages expenses in an effort to provide quality services in as efficient a manner as possible. AdCare Hospital believes there is still a lack of understanding of the disease of addiction and its treatment amongst those in the general medical field and amongst payers. As a result, there is a general lack of appropriate resources utilized to assure that patients receive the care they need. AdCare Hospital believes that if more resources were directed toward behavioral health services there would be a decrease in overall medical spending.

- 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?**

AdCare Hospital firmly believes that providing substance abuse services to those in need promotes health and reduces overall health care costs for affected patients. AdCare Hospital's patients have significant concomitant medical and psychiatric diagnoses. AdCare Hospital believes its patients are significantly more likely to manage their concomitant diagnoses in more cost efficient ways if they have received appropriate substance abuse treatment and are adhering to a recovery based lifestyle. Too often, people with substance use diagnoses that do not engage in treatment and recovery end up ignoring their physical health needs until they become emergent and more expensive for the overall health care system.

AdCare Hospital continuously supports activities that promote the integration of behavioral and physical health. Some examples include:

AdCare Hospital, through its community service representatives, continuously provides training and education to area hospitals and primary care physicians to assist them in recognizing, managing, and appropriately referring patients for specialized substance abuse treatment when necessary.

AdCare Hospital collaborates with and accepts inpatient and outpatient referrals from acute and non acute physical health providers throughout the Commonwealth to assist them in managing their patients with substance use disorders.

AdCare Hospital provided a continuing education program to area physicians to help them to better understand the disease of addiction and the management of patients on abuseable pain medication.

AdCare Hospital had multiple meetings with an area general hospital in an effort to assist them in managing their patients experiencing substance withdrawal during inpatient admissions for other physical health needs.

AdCare Hospital believes there are significant opportunities for cost efficient care if outpatient counselors could go to other physical locations to provide substance abuse individual and group counseling services.

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

AdCare Hospital recognizes that parity laws have been passed at both the state and federal level. Nevertheless, significant stigma still surrounds the disease of addiction and the treatment related thereto. Even with parity, the application of medical necessity criteria by many managed care organizations is too stringent often leaving those in need of treatment without the ability to access appropriate levels of addiction treatment. Continued efforts are needed to assure those in need of treatment are able to access care in the same manner they can for their physical health needs.

With regard to assisting an area general hospital in helping to manage their patients experiencing substance use withdrawal during inpatient admissions for other physical health needs, appropriate reimbursement is not available for AdCare Hospital physicians to provide consults for such patients.

With regard to outpatient counselors providing individual or group counseling services at other locations (ie group homes, shelters, physician practices locations), AdCare Hospital is unable to do so from a regulatory and a payment perspective. AdCare Hospital's licenses and certifications only permit our services to be provided at the licensed locations. Further, third party payors only allow for reimbursement for services provided at credentialed locations.

AdCare Hospital also believes there is still a lack of understanding of the disease of addiction and its treatment amongst those in the general medical field and amongst payers. As a result, there is a general lack of appropriate resources utilized to assure that patients receive the care they need.

AdCare Hospital believes the financial arrangement utilized by many insurance companies to manage behavioral health benefits through "carve out" organizations serves as a barrier to integrating physical and behavioral health. Carve out organizations can provide significant expertise around the modalities of behavioral health treatment. However, AdCare Hospital believes financial arrangements whereby carve out organizations are paid per member per month amounts to manage behavioral health benefits result in less than appropriate levels of behavioral services being authorized. Such a reimbursement methodology is contrary to the integration of physical and behavioral health.

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

Policy changes whereby AdCare Hospital could receive reimbursement for services provided by its counselors at offsite locations would further promote the integration of physical and behavioral health.

Policy changes whereby the reimbursement methodology related to insurance companies utilization of carve out organizations was better aligned with the overall health and expenditures of members 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.**

AdCare Hospital has offered to some payers the opportunity to contract for services on an episode of payment or DRG methodology as opposed to a traditional fee for service methodology.

**b. What current factors limit your ability to promote these goals?**

AdCare Hospital has found at this point third party payers generally prefer to pay for services provided by the hospital on a fee for service basis.

**c. What systematic or policy changes would support your ability to promote more efficient and accountable care?**

AdCare Hospital has no response at this time.

**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., organization, practice and/or provider level)?**

AdCare Hospital tracks operational expenses for all departments in the organization. AdCare Hospital calculates cost per admission and cost per patient day. AdCare Hospital is expanding its use of the EMR in efforts to track provider specific practice patterns related to cost items like medications.

**b. How does your organization benchmark its performance on operational cost structure against peer organizations?**

AdCare Hospital is a somewhat unique organization so it has some challenges in benchmarking itself. Nevertheless, AdCare Hospital participates in benchmarking surveys with state and national associations.

**c. How does your organization manage performance on these metrics?**

As stated above, AdCare Hospital is somewhat different than the organizations that it benchmarks itself against. However, when reviewing benchmark data AdCare Hospital attempts to understand significant variances to assure it is managing its costs to the greatest extent possible.

**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 allowed amount or charge and any facility fee, as required by c.224.**

AdCare Hospital explains to each patient their financial obligation associated with treatment services. AdCare Hospital hired a "financial counselor" that meets with inpatients to assist patients in understanding the financial aspects of their treatment episodes. AdCare Hospital provides detailed statements of account to patients that request the same.

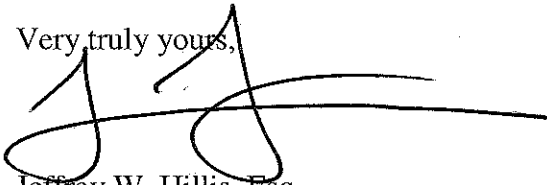
- 7. After reviewing the reports issued by the Attorney General (April 2013) and the Center for Health Information and Analysis (August 2013), please provide any commentary on the findings presented in light of your organization's experiences.**

AdCare Hospital has no comments at this time.

The above stated testimony is signed below by a signatory that is legally authorized and empowered to represent AdCare Hospital of Worcester, Inc. for the purposes of this testimony.

If you have further questions, please do not hesitate to contact me directly at 508-799-9000 ext. 3123.

Very truly yours,

A handwritten signature in black ink, appearing to be 'J. Hillis', written over a horizontal line.

Jeffrey W. Hillis, Esq.

Chief Operating Officer and General Counsel

Signed under the pains and penalties of perjury