Berkshire
Medical Center
BERKSHIRE HEALTH SYSTEMS

725 North Street
Pittsfield, MA 01201
(413) 447-2000

September 27, 2013

Via email: HPC-Testimony@state.ma.us

David Seltz
Executive Director
The Commonwealth of Massachusetts
Health Policy Commission
Two Boylston Street
Boston, MA 02116

Dear Mr. Seltz:

On behalf of Berkshire Medical Center, Inc., I submit the following written testimony to Exhibits B and C of the Health Policy Commission's request dated August 28, 2013.

Sincerely,

David E. Phelps
President & CEO

Written Testimony of Berkshire Medical Center, Inc.

1. Ch. 224 sets a healthcare cost growth benchmark for the Commonwealth based on the long-term growth in the state's economy. The benchmark for growth between CY2012-2013 and CY2013-2014 is 3.6% (Answers to subparts a. through d.)

Summary Statement. As is more fully discussed throughout this testimony, in recent years, Berkshire Medical Center ("BMC") and its parent organization, Berkshire Health Systems ("BHS" and together, "BHS/BMC"), have found themselves increasingly in the role of principal provider, supporter and coordinator of health and wellness services for all of Berkshire County. That new, essential role carries with it financial and resource challenges that are unreimbursed and much beyond traditional hospital obligations. Despite those substantially expanded burdens, BMC has been able to offer its commercial payers contract rates during the past several years—before the enactment of Chapter 224—that included annual increases at or below the Medical CPI. In addition, BMC and other BHS affiliates engage in regular, successful efforts to implement the principals of IHI's Triple Aim in existing work and have begun to capture the substantial cost savings that can come from effective community wellness programs.

Discussion.

I. Berkshire Health Care Market and BMC/BHS' Role In It

Approximately 150,000 people live within the BHS service area in a geographic area about the size of Rhode Island. By way of contrast, the patient panel served by Atrius Health alone is about 6 times larger than the entire population of Berkshire County. The closest alternative sites for care are in Springfield and Albany, more than 50 and 40 miles away respectively. The median household income in Berkshire County is 31% below the state average, with a third more people above the age of 65 than in the Commonwealth as a whole. According to the County Health Rankings & Roadmaps, Berkshire County ranks 11th out of the 14 counties in Massachusetts in over all health ratings, principally due to health behaviors and social and economic factors. Notably, Berkshire County ranks near the top of County Health Rankings for quality of healthcare services.

BHS/BMC participates directly in the healthcare needs of that population through services provided by its two affiliated hospitals (BMC and Fairview Hospital), an affiliated multi-specialty physicians group and an affiliated home health agency. BHS/BMC is also responsible for a range of post-acute services in Berkshire County through a management arrangement with an associated organization of non-profit skilled nursing and elder care facilities. In addition, however, the obligation has increasing fallen to BHS/BMC to provide, within lawful limits, resources and support to other unrelated components of the Berkshire County health services network—independent physician practices and other independent community providers especially in outpatient mental health and community health clinic services. The fabric of the county's healthcare services network, strained by ever-increasing service demands and

reimbursement pressures, hangs together largely by the assistance that BMC/BHS is able to extend.

The limited size and geographic isolation of the Berkshire County patient population has long required that BHS/BMC provide, at a financial loss, certain physician services that are essential to the health and well-being of the community, even though they are not self-sustaining. In addition, for more than a decade, the county has experienced a severe physician shortage in primary care physicians and several specialties. Medical practices that are independent of BMC/BHS in Berkshire County are all single specialty groups with between 2 and 8 physician members and are in no position to completely self-fund restructuring of the care delivery model. In primary care, there is currently a shortage of 16% with more than *one-third* of the existing practitioners at or above typical retirement age. In several key surgical specialties, there is a shortfall of as much as 25% with 20% of the existing practitioners at or above typical retirement age. For the last decade, independent practices in Berkshire County have—due to the population demographics and payer mix—found it difficult, if not impossible, to recruit new physicians without substantial assistance from BMC/BHS and, in recent years, BMC/BHS has expended an average of about $1 million a year in recruitment support for community practices. At the end of 2012, BMC/BHS entered into an arrangement with a 7-physician practice serving 12,000 patients in northern Berkshire County in order to keep it from disbanding. The 2013 Massachusetts Medical Society Physician Workforce Study demonstrates that the physician shortage and recruitment challenges in Berkshire County are substantially worse than the experience elsewhere in the state.

Table 1.6: Summary of the Composite Results of the Five Massachusetts Regional Labor Markets Indexed to the Boston Regional Market for the Five Tight/Tightening Labor Markets for Physician Specialties (Group 1)[1]

Regional Labor Market	Inadequate Pool of Physicians	Increased Time to Recruit	More Difficult to Retain Staff	Significantly Difficult to Fill Vacancies	Need to Alter Services	Need to Adjust Staffing
Boston	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Worcester	102.6%	122.5%	141.7%	166.0%	117.2%	124.1%
Springfield	127.1%	131.2%	141.7%	206.5%	127.6%	166.8%
New Bedford/Barnstable	124.0%	60.7%	125.5%	182.2%	96.4%	120.0%
Pittsfield/WMA	144.6%	124.1%	228.6%	281.6%	192.8%	157.6%

[1] Massachusetts Medical Society "2013 MMS Physician Workforce Study" September 2013. P. 20.

[1] Massachusetts Medical Society "2013 MMS Physician Workforce Study" September 2013. P. 20.

BMC/BHS has been able to fulfill some of the community need for additional physicians by retaining in Berkshire County some of the graduates of BMC's teaching program. As an affiliate of UMass Medical School and the University of New England College of Medicine, BMC sponsors 140 medical school students annually and, through independent ACGME accredited residency programs in medicine, surgery, psychiatry and dentistry, BMC trains 85 resident physicians every year. In 2008, BMC opened its residency program in psychiatry (at a time when others were closing them) largely to address the acute shortage of psychiatrists available to meet the community need.

With the local physician practices already struggling from payer mix challenges, none of them could effectively respond to the federal and state push toward "meaningful use" and development of a community electronic health record without substantial assistance—to the maximum allowed by law—from BMC/BHS. To date, BMC/BHS has invested approximately $3 million in community electronic health record efforts.

Similarly, with a diminishing population and outmigration of younger adults from Berkshire County, BHS/BMC has found it necessary to actively engage in workforce development, investing in the training of nurses and other clinical support personnel. In 2008, facing a critical shortage of nurses and nurse practitioners, as significantly, a need to assure a local supply of them in the future, BMC/BHS partnered with the Elms College in Chicopee to build a BSN and MSN nursing program at the BMC/BHS campus. The collaboration, undertaken at BMC/BHS' expense, allows its RNs to become BSN educated and its BSN nurses to earn masters degrees. Moreover, anticipating an increasing shift in the model of care and continuing shortage of primary care physicians, the Elms collaboration allows the local development—and retention—of advance practice nurses. Although BMC/BHS expects a long-term community benefit return on its investment, the immediate term costs of the program (including covering the wages and costs of its employees who are enrolled in the program) are being borne currently by BMC/BHS. The program has resulted in 57 nursing graduates, many of whom have stayed to work at BMC, and 50 current students. Twenty-two students are currently pursuing nurse practitioner degrees.

None of the outreach and support efforts by BMC/BHS is intended to increase market share—that goal is not practically possible. They are simply driven by the necessity of maintaining an effective healthcare system for the county currently and in the future.

II. Cost Containment Efforts By BMC/BHS

Notwithstanding BMC/BHS' expanding responsibilities in the community, it has also made a concerted effort to control costs and limit price increases.

A. Limiting Price Increases To Commercial Payers

For the past several years, BMC/BHS has offered, in its new commercial payer contracts, provisions that cap annual cost increases at or below the Medical CPI. HMO patient populations in Berkshire County are extremely small—Blue Cross and Blue Shield, for

example, has 10,003 covered lives, about 3000 of whom are BMC/BHS employees enrolled in its self-insured program; Health New England has 12,500 covered lives and Tufts has 3035.

B. Internal Concentration on Value, Quality and Cost Controls

BMC/BHS engages in continual and successful efforts to control costs while maintaining high quality performance. Adopting the Institute for Healthcare Improvement's Triple Aim Initiative through system integration, process redesign, population health management and cost control, BMC/BHS has also begun to focus on improving community health status as a means of controlling health care costs, as well as enhancing community well-being.

In traditional areas of cost control, BMC/BHS initiated Six Sigma/LEAN techniques across the organization several years ago and, in 2012 and 2013 alone, achieved more than $11 million in savings. BMC/BHS participates in group purchasing arrangements to reduce costs of goods and supplies purchased and has worked with its physicians to streamline medical equipment purchases to achieve substantial savings without sacrificing quality.

In building its annual operating budgets, BMC/BHS disregards extraordinary or likely temporary income items, such as the current rural floor adjustment, in order to enforce greater discipline in budgeting and expense reduction. (In 2013, BMC/BHS applied its rural floor adjustment to the construction of a state-of-the-art cancer center, saving the cost of building it with borrowed funds.)

Long committed to STEEEP principles articulated by the Institute of Medicine (care that is safe, timely, effective, efficient, equitable and patient-centered), BMC/BHS has coupled its goal of high quality care with attention to efficiency and value. BMC has consistently been recognized in recent years as a top performer both nationally and within Massachusetts by nationally recognized organizations, such as Delta CareChex, HealthGrades, the American Heart Association and the Leapfrog Group. At the same time, BMC/BHS is convinced that correctly and comprehensively reported, the total medical expenditures for the population that BMC/BHS serves would be average or below, compared to other providers in the state. Although certain insurance company data seems to suggest otherwise, the Massachusetts Division of Health Care Finance and Policy 2010 Massachusetts Health Care Cost Trends reported that the TME for Western Massachusetts was 0.93 relative to Greater Boston's 1.00. More significantly, in the calendar year 2012, BMC's Medicare Spending Per Beneficiary was lower than the Massachusetts average, scoring a 1.00 against the state average of 1.03. Medicare beneficiaries make up about 47% of BMC's patient volume and all BMC/BHS providers are blind to payment source for their patients. It seems unlikely that commercial payers do not have the same relative experience as the Medicare program.

Having converted its organization-wide Quality Council to a Value Council to assure that closer attention is regularly paid to value as well as quality of outcome and experience,

BMC/BHS has adopted an initiative to focus its medical staff and clinical teams on the Choose Wisely principles promulgated by the ABIM Foundation.
BMC/BHS has also introduced crew resource management principles across the organization to improve communication and teamwork and increase efficiency and patient safety.

C. Coordination of Care With Other Community Providers

With involvement in all aspects of community care, ambulatory care, acute care, post-acute and long-term care, BMC/BHS is working with its related and independent health care counterparts to redesign the organization of care within Berkshire County to improve access, efficiency and quality. Efforts to date, include the provision of ventilator care, behavioral health services and wound care at local skilled nursing facilities in order to improve the quality of care available to residents and minimize the need for hospitalizations. BMC/BHS has organized and, to the extent permitted by law, organized and funded the development of a patient-center medical home model of care for its own practices and independent community practices. Establishment of a comprehensive palliative care and hospice program will facilitate family and patient discussion and planning for end-of-life care and avoid the frequently costly and unwanted hospital interventions that result from the absent of such planning.

D. Commitment To Improving Health and Reducing Costs Through Wellness

BMC/BHS believes that its greatest opportunity for savings in health care costs rests in the various wellness programs it sponsors.

For many years, BMC/BHS has self-insured its employee health and wellness risk and, in 2005, introduced an employee wellness program as a health management strategy. Unlike more common wellness programs, the primary goal of the program is to improve employee health, reduce risk and healthcare costs and create a culture of health within the organization through robust and interactive behavior modification strategies. Key program components include health risk assessments, wellness screenings with targeted interventions and specific lifestyle recommendations and support. Referrals and in-person supportive programs are offered and tailored to the needs and interests of the participant.

In 2008, the BMC/BHS wellness program was linked to the employee benefit design and employees were offered a discount on their insurance premium in a newly created Wellness HMO provided that they completed key elements of the BMC/BHS wellness program. In addition, weight loss and fitness incentives were included to promote healthy lifestyles. Participation in the BHS/BMC wellness plan has significantly increased over the years with 69% of eligible employees currently participating.

Although reductions in healthcare costs directly associated with the vigorous BMC/BHS wellness program took some time to become evident, since 2007, the total per member per month ("PMPM") cost across all health plans offered by BHS/BMC flattened

significantly and only increased 1.4%from 2008 to 2011. Between 2009 and 2011, the PMPM costs *decreased* by 6.3%, bettering by far the health plan benchmark increase of 2.4%.

During this same period of time, BMC/BHS has maintained among the most comprehensive and generous health plans in the region and has only added enhancements over the years. Nevertheless, the success of the wellness program has permitted BMC/BHS to keep employee healthcare premiums level for the last three years.

Historically, although BMC/BHS covers both employees and their spouses in its health plans, only employees were eligible for the wellness program. BMC/BHS noted that, although the PMPM costs for employees decreased for two consecutive years, the spousal PMPM cost increased in that same period. BMC/BHS has responded by opening its wellness program to employee spouses.

The BMC/BHS wellness program has won The Health Project's C. Everett Koop National Health Awards (Honorable Mention) three times since 2009, including in 2013. The Health Project recognizes and retains for public use information about carefully selected private and public health initiatives that have improved measurably the health status of Americans.

BMC/BHS has offered the wellness program to other employers in Berkshire County, as well as health insurers currently offering plans in the area. That effort has been successful with large employers that self-insure their employee health coverage. BMC/BHS is currently working with the local chamber of commerce to find ways for smaller employers to realize the benefit of a wellness program linked to employee health benefits. To date, regulatory restraints have limited the success of that effort and commercial insurers with year-to-year contracts have shown little interest in the medium term investment that a successful wellness program requires.

In the spring of 2013, BMC/BHS entered a partnership with the Canyon Ranch Institute, a non-profit charitable organization dedicated to bringing the unique health and wellness philosophy and expertise of the Canyon Ranch facilities to communities, like those in the Berkshires, in order to create opportunities for individuals, especially those who are otherwise underserved, to experience optimal health. Investing more than $500,000 to do so, BMC/BHS will offer, through its health professionals, the Canyon Ranch Institute Life Enhancement Program ("CRI LEP"), an evidence-based, multi-disciplinary program to help members of the community to prevent, identify and address chronic diseases and disease risk. The CRI LEP uses an integrative approach to health and is grounded in the best practices of health literacy, using a body, mind and spirit approach to educate, inspire and empower people to prevent disease and embrace a life of wellness.

III. Recommended Policy Changes to Better Meet Community Health Care Need

There are several systematic or policy changes that would assist BMC/BHS in meeting the health care needs of the Berkshire communities in an effective, efficient and high quality manner. These include:

- Recognition that there are healthcare organizations like BMC/BHS that, because of the nature of the communities for which they are responsible, have burdens that go well beyond those of a traditional hospital or health system.
- Recognition that the total cost of care or total medical expense in an area such as Berkshire County may include factors beyond the cost of a typical episode of care.
- True transparency in claims data and other appropriate information between providers, insurers and regulators to assure that such data and information can serve as a truly accurate and useful tool for comparison and improvement
- Development of uniform definitions, claims submission and determination processes among insurers in order to eliminate a substantial amount of non-productive overhead cost of providers
- Necessary adjustments to allow smaller employers to pool their health insurance risks and cover their employees with a long-term insurance product in order to realize the kind of financial benefit from wellness programs that BMC/BHS has experienced.

2. The 2013 Examination of Health Care Cost Trends and Cost Drivers by the AG'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?

See answer to Question 1

3. Ch. 224 seeks to promote the integration of behavioral and physical health. What are the actions your organization has undertaken to promote this integration?

Summary Statement: The BMC/BHS Department of Psychiatry and Behavioral Health provides clinical support to several area primary care offices (both affiliated and independent) and to several area nursing homes by stationing clinicians in those facilities. The Department also provides regular clinical support to the medical and surgical services at BMC. Barriers to more effective integration include a chronic shortage of psychiatrists and a payment system that is inequitable both in amount and process.

Discussion: BMC/BHS maintains a Department of Psychiatry and Behavioral Health that includes 14 psychiatrists and 23 other clinicians employed by BMC/BHS, several of

whom are leased by BMC/BHS to The Brien Center for Mental Health and Substance Abuse, an independent non-profit agency providing community-based mental health and substance abuse services. The BMC/BHS psychiatry services include an 15-bed involuntary admissions unit, a 20-bed voluntary admissions unit and a 21-bed substance abuse recovery unit, all located on the hospital campus. The Department also includes an independent ACGME accredited residency program for 16 residents, who help meet the local need for behavioral health services both in the hospital and in the community.

BMC/BHS has arranged for the Department to provide behavioral health services on a regular basis in several of the county nursing homes and primary care offices in order to give assistance (on-site or by real-time telecommunication) to clinicians in managing behavioral health issues that have impact on physical health concerns. Members of the Department are also regularly available to consult with the medical and surgical staffs at BMC concerning their in-patients. BMC/BHS initiated an integrated depression screening program for stroke and heart attack patients and, with a grant from the Department of Public Health, was able to expand that screening service to all patients.

With grants from the Department of Public Health and other sources, the Department developed a curriculum for primary care physicians and other medical providers on the identification of and response to patients at risk for suicide. The Department is beginning development of a similar curriculum for non-medical community members and related to adolescent and young adult behavioral health and suicide risk.

The greatest impediment to more integration is the chronic and serious shortage of qualified psychiatrists who are difficult to recruit due to the poor payment system for psychiatric services. The payment system with carve outs and managed-care subcontracting for behavioral health services invites disparate treatment for claims allowance and processing for physical issues and mental health issues. Care is delayed or denied because screenings—which can be difficult and time-consuming—are largely unreimbursed and three or four days of treatment time are lost while providers negotiate with payers over the nature of the patient's illness and appropriate plan of care. There cannot be the kind of parity between physical health services and mental health services mandated by Chapter 224 and the Mental Health Parity and Addiction Equity Act until claims are valued and processed in a comparable manner.

4. **Ch. 224 seeks to promote more efficient and accountable care though innovative care delivery models and/or alternative payment methods. (**Answer to subparts a. through c.)

Summary Statement. Although BMC/BHS has a patient population too small to allow for traditional risk contracting, BMC/BHS has taken on substantial risk to sustain the well-being and effectiveness of the Berkshire County healthcare delivery system.

Discussion: With a maximum potential patient pool of 150,000 and a commercially insured pool of approximately 50,000 divided among 6 primary payers, it would be neither actuarily prudent or even possible for BMC/BHS to accept traditional risk

contracts from payers, even if the payers offered them—which they do not. BMC/BHS has made it known to its commercial payers, however, that it is open to any "shared savings" or other incentive payment models. Moreover, BMC/BHS has developed and is continuing to develop its own innovative delivery models, as described in answer to Question 1, because of its special role within the Berkshire County healthcare delivery system. Even though there is not currently any upside benefit to BMC/BHS for doing so, it has assumed considerable risk for continuation of an integrated, high quality healthcare system in the county.

5. What metrics does your organization use to track trends in your organization's operational costs? (Answers to subparts a. through c.)

BMC/BHS monitors its operating costs at all levels by reference to independent industry benchmarks, principally Thompson Reuters/Solucient data along with comparative data that BMC/BHS receives from its group purchasing organizations, Yankee Alliance and the Premier Group. For its physician practices, BMC/BHS consults data from the Medical Group Management Association for both productivity and expense comparison. Any department exceeding median benchmarks is targeted for focused analysis and, if the deviation is in personnel costs, subject of a hiring freeze.

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.**

BMC/BHS currently provides patients with estimated charges and allowed amounts for services as requested by patients. These are only estimates as it is not always known what the full extent of a procedure will be until the case is performed. Patients are referred to their insurance carrier for information about the portion of the allowed amount for which they will be responsible as this amount is dependent on the status of the patient's deductible and copay—amounts unknown to BMC/BHS.

7. **After reviewing the reports issued by the AG (April 2013) and CHIA (August 2013), please provide any commentary on the findings presented in light of your organizations experience.**

Both reports demonstrate the value of true transparency and the hazards of drawing broad conclusions about the cost of healthcare services by analyzing selected data from selected sources about selected services. Both the AG and CHIA reports portrayed BMC/BHS far differently from the picture consistently presented by the Centers for Medicare and Medicaid Services in its Medicare Spending Per Beneficiary analysis, the Commonwealth itself in the Division of Health Care Finance and Policy 2010

Massachusetts Health Care Cost Trends and third party reviewers, as discussed in answer to Question 1.

The AG report, drawing on certain selected data from insurers, noted BMC/BHS as allegedly one of the higher cost providers in the Commonwealth, but also observed separately that the cost of the BMC/BHS physician providers was the lowest in the Commonwealth. Aggregated, even relying only on the AG report data, BMC/BHS fell in the middle of reporting entities.

BMC/BHS attempted, without success, to obtain from CHIA the data it relied upon in its report. Directed by CHIA to the various payers that reported the data to it, BMC/BHS made inquiry and was, in almost every case, rebuffed. Some insurers refused to share the data that they submitted. However, most insurers reported, not surprisingly, that the number of lives they covered in Berkshire County fell well below the CHIA separate reporting requirements.

BMC and BHS suggest that it may be more helpful in understanding and managing the true cost of health care in the Commonwealth by evaluating data that more fully reflects the true cost of that care. BMC/BHS supports true transparency that allows, without regulatory or business interest restriction, an open sharing and refinement of cost data among providers, payers and regulators that takes into consideration the full range of costs truly associated with improving and maintaining the health of our communities. Any approach short of that will serve only the limited interests of self-interested constituencies.

Attorney General's Questions

1. Submit a summary table of operating margin for commercial business, government business and all other business and percentage that each category represents of total business.

BMC/BHS does not have the current cost accounting capacity to determine its operating margins by commercial payer and insurance product.

2. Submit information concerning any contract incorporating a per member per month budget against which costs are settled for purposes of determining withhold returned, surplus paid, and/or deficit charged to you.

As described in the BMC/BHS answer to Question 1 from the Health Policy Commission, the size of the BMC/BHS' entire market is 150,000. Of that number, fewer than 50,000 are covered by commercial products, divided between about a half dozen insurers. Blue Cross and Blue Shield, for example, has 10,003 participants in its HMO product—about 3000 of whom are BMC/BHS' employees in its self-insured plan. Health New England has about 12,500 covered lives and Tufts just over 3000. It is not practical

or prudent for the insurers to offer or BMC/BHS to accept traditional risk contracts over such small populations. BMC/BHS has remained very much open to "shared savings" arrangements, however.

Moreover, BMC/BHS has developed and is continuing to develop its own innovative delivery models, as described in answer to Question 1 of the Health Policy Commission, because of its special role within the Berkshire County healthcare delivery system. Even though there is not currently any upside benefit to BMC/BHS for doing so, it has assumed considerable risk for continuation of an integrated, high quality healthcare system in the county.

3. Explain how you quantify, analyze and project your ability to manage risk under risk contracts.

See answer to Question 2.

4. 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.

BMC/BHS is only able to track changes in the health status of patients when they present for services. Data from aggregate claims that would identify changes when a service is rendered is not available to BMC/BHS because, as its two largest payers have advised, the payers will not release such data to it.

Instead, BMC focuses on tracking and improving the health of the entire Berkshire County community. To achieve this BMC/BHS conducts a Community Needs Assessment every three years with annual updates and input from the BMC/BHS governing body level Community Benefits and Access Committee. From this tri-annual assessment, BMC/BHS is able to track improving health trends and identify community needs.

To develop the assessments and the annual updates, the Community Benefits and Access Committee regularly meets with community groups throughout the Berkshires and reviews national health needs data to identify key areas of service for new program development or enhancement of existing BMC programs.

In the past, BMC/BHS has pulled data from federal (Healthy People 2010), state (DPH Health Status Indicators), NECON (New England Coalition on Health and Disease Prevention) and local health data sources. In addition, this comprehensive health assessment included such data sources as: DPH Bureau of Family and Community Health's Injuries in Massachusetts report, demographic data supplied by the Executive Office of Communities and Development and the Division of Health Care Finance.

BMC/BHS also uses County Health Rankings & Roadmaps as part of our total community health approach which is based on US Census Data and research from the

Robert Woods Johnson Foundation in collaboration with The University of Wisconsin Population Health Institute.

5. Submit a summary table for 2009 to 2012 of total revenue under pay for performance arrangements, risk contracts and other fee for service arrangements.

See attachment A.

6. Identify categories of expenses that have grown 5% or more and 10% or more from 2010 to 2012.

See attachment B.

7. Describe any programs you have that promote health and wellness.

For many years, BMC/BHS has self-insured its employee health and wellness risk and, in 2005, introduced an employee wellness program as a health management strategy. Unlike more common wellness programs, the primary goal of the program is to improve employee health, reduce risk and healthcare costs and create a culture of health within the organization through robust and interactive behavior modification strategies. Key program components include health risk assessments, wellness screenings with targeted interventions and specific lifestyle recommendations and support. Referrals and in-person supportive programs are offered and tailored to the needs and interests of the participant.

In 2008, the BMC/BHS wellness program was linked to the employee benefit design and employees were offered a discount on their insurance premium in a newly created Wellness HMO provided that they completed key elements of the BMC/BHS wellness program. In addition, weight loss and fitness incentives were included to promote healthy lifestyles. Participation in the BHS/BMC wellness plan has significantly increased over the years with 69% of eligible employees currently participating.

Although reductions in healthcare costs directly associated with the vigorous BMC/BHS wellness program took some time to become evident, since 2007, the total per member per month ("PMPM") cost across all health plans offered by BHS/BMC flattened significantly and only increased 1.4% over the three year period between 2008 to 2011.

During this same period of time, BMC/BHS has maintained among the most comprehensive and generous health plans in the region and has only added enhancements over the years. Nevertheless, the success of the wellness program has permitted BMC/BHS to keep employee healthcare premiums level for the last three years.

Historically, although BMC/BHS covers both employees and their spouses in its health plans, only employees were eligible for the wellness program. BMC/BHS noted that, although the PMPM costs for employees decreased for two consecutive years, the spousal

PMPM cost increased in that same period. BMC/BHS has responded by opening its wellness program to employee spouses.

The BMC/BHS wellness program has won The Health Project's C. Everett Koop National Health Awards (Honorable Mention) three times since 2009, including in 2013. The Health Project recognizes and retains for public use information about carefully selected private and public health initiatives that have improved measurably the health status of Americans.

BMC/BHS has offered the wellness program to other employers in Berkshire County, as well as health insurers currently offering plans in the area. For reasons discussed later in this testimony, that effort is yet to be successful.

In the spring of 2013, BMC/BHS entered a partnership with the Canyon Ranch Institute, a non-profit charitable organization dedicated to bringing the unique health and wellness philosophy and expertise of the Canyon Ranch facilities to communities, like those in the Berkshires, in order to create opportunities for individuals, especially those who are otherwise underserved, to experience optimal health. BMC/BHS will offer, through its health professionals, the Canyon Ranch Institute Life Enhancement Program ("CRI LEP"), an evidence-based, multi-disciplinary program to help members of the community to prevent, identify and address chronic diseases and disease risk. The CRI LEP uses an integrative approach to health and is grounded in the best practices of health literacy, using a body, mind and spirit approach to educate, inspire and empower people to prevent disease and embrace a life of wellness..

Attestation:

I, David E. Phelps, am legally authorized and empowered to represent Berkshire Medical Center, Inc. for the purposes of this testimony, and this testimony is signed under the pains and penalties of perjury.

David E. Phelps
President & CEO
Berksahire Medical Center, Inc.