

## Testimony related to health care cost trends for the Health Policy Commission (HPC), Office of the Attorney General (OAG) and the Center for Health Information and Analysis (CHIA)

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**Exhibit B:** Questions posed by the Health Policy Commission (HPC).

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%.**

**SUMMARY:** Southcoast Health System<sup>®</sup> employs multiple initiatives to control cost growth, including Performance Excellence Projects (PEP) which target labor productivity, clinical resource and supply chain management. Lean and Six Sigma<sup>™</sup> tools successfully result in reduced variation in service and cost savings. Lean Waste Walk initiatives in the Hospitals Group, for example, reduced costs by approximately \$19 million since 2009. Additional efforts to reduce variation and standardize treatment are somewhat hindered by the lack of access to payor claims data to identify utilization trends from non-shared risk plans. Southcoast has successfully controlled costs within its own employee health plan and passed on those savings directly to employees via stable health insurance premiums paid by employees. As a result of increased market competition, chronic underpayment for services from state and federal programs, and anticipated future reductions in payments Southcoast recently made the difficult decision to restructure and reduce the workforce.

- a. **What are the actions your organization has undertaken to reduce the total cost of care for your patients?**
  - i. Since the inception of Lean and Six Sigma<sup>™</sup> in 2009, Southcoast estimates a conservative, total cost savings in the order of \$19 million by the end of this year, derived from multiple iterations of the Lean practice known as Waste Walks. Six Sigma projects have contributed to clinical and non-clinical performance improvement and operational efficiencies. See Attachment A for examples.
  - ii. Southcoast participates and contributes in multiple, national collaborative projects facilitated by Premier, Inc. The sharing of best-practices among participants enables rapid cycle improvement opportunities across a variety of contemporary topics including: improved clinical quality effectiveness, reductions in the cost of care, improved patient safety via hospital acquired conditions management, reduced mortality, reduced hospital readmissions and improved patient experience. Regional efforts are conducted in conjunction with Yankee Alliance, Inc., a regional owner within the Premier network.

- iii. Southcoast has engaged consultants to lead multiple, simultaneous performance improvement projects known as PEPs in effort to control operating costs. The PEP efforts launched in FY13 will continue for approximately two years. Current focus areas include: labor productivity, revenue cycle improvements, maximizing value from supplier contracts, length of stay and clinical effectiveness. In FY14, Southcoast expects to yield net financial improvements of \$54 million. Examples of PEP projects:

**Labor Productivity** – Southcoast will manage labor costs by assessing labor hours and volume in all hospital departments every two weeks, with management-implemented actions to achieve industry-defined performance benchmarks. With increased market competition, the impact on Southcoast required difficult decisions to recently reduce the workforce.

**Revenue Cycle Improvements** – There are multiple facets to this project. Southcoast will analyze revenue cycle processes in an effort to accurately capture all revenue for provided services; work closely with physicians and other care providers to ensure accuracy of clinical documentation that appropriately reflects provided services and patient condition; improve upon collection of co-pay and deductible balances at time of service; to the greatest extent possible, ensure that services are approved by payors in advance of providing care to reduce denials.

**Clinical Resource Management** - Southcoast will reduce its clinical delivery expense by reducing inpatient length-of-stay through multidisciplinary care coordination. Evidence-based clinical order sets will improve the clinical utilization of tests and treatments, with monitoring at the individual provider level to aid in practice variation controls when clinically appropriate. Other interventions include a focus on clinically appropriate, but controlled inpatient length of stay, and targeted efforts for chronic disease states (congestive heart failure and chronic obstructive pulmonary disease) and other efforts to reduce hospital readmissions.

**Supply Chain Management** – Southcoast will reduce its supply chain expenditures through better pricing, improved product utilization, and/or increased product standardization in clinical and non-clinical departments. Examples include: transcription service expenses, office supplies, medication formulary management, and tools to monitor capital equipment costs.

**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?**

- i. Southcoast continues to create a highly integrated health system. For example, Southcoast partnered with a select group of skilled nursing facilities to provide seamless transitions of care for patients who have undergone specific surgeries. An obstacle to the process, however, is the lack of access to historical, clinical data from

payors at the individual patient level – particularly for patients who are not regularly cared for within our network. If payor files included information regarding co-morbid conditions, such as patients who are prone to pneumonia, monitoring and clinical interventions could be implemented proactively to better manage care. We believe these data are available within payor files which could be best utilized by sharing the data with involved providers.

- ii. Southcoast examines the actual cost of care and quality by physician for the Blue Cross HMO patients via the claims files for the Blue Cross Alternative Quality of Care contract. By examining the claims, we can identify physician outliers and focus on unnecessary utilization or referral patterns to high cost facilities. Unfortunately, these data are only available for the Blue Cross, Tufts and Harvard Pilgrim HMO populations. If all payors, including MassHealth and Medicare, would provide the same level of data for HMO, PPO and POS populations, health systems would have data to identify opportunities to control costs through utilization management beyond risk-model contracts. Providers need data from payors to identify improvement opportunities. With the state's focus on transparency, there is a natural fit to require payors to share their members' claims data with providers.
- iii. The growth of high deductible plans limits our ability to dedicate resources to improving quality and efficiency through these plans. High deductible plans make knowledgeable subscribers more cognizant of their potential out of pocket expense for medical care. However, many subscribers are unaware of the potential, personal liability for health care services, or are not prepared to pay the amounts due, or have chosen to avoid certain services due to their high co-pays, deductibles or co-insurance. As a result, Southcoast incurs an increase in bad debts related to high deductible plans, which results in less reimbursement for the care provided, and reduces Southcoast's ability to implement new initiatives. Substantial resources are expended to manage the collection of outstanding balances. If payors collected the cost sharing amounts they impose, administrative burden to hospitals would be reduced. Payors create the products, sell the products, educate their subscribers and must keep track of cost sharing liabilities to determine deductible levels. Payors are eminently more qualified to collect cost sharing amounts. Providers should be paid the full amount of their contracted rates with payors, which would allow resources to be redirected to initiatives that improve the care and health of patients – the central mission of healthcare providers.

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

- i. Require insurance companies to assume the responsibility for the collection of co-pay and deductible balances rather than providers (as is currently the case).

With health insurance carriers offering products to consumers with larger co-pay and deductible responsibilities, payors should be held responsible for collecting these payments.

Payors should not be able to deny payment for claims due to “technical” difficulties in obtaining prior approval – if the care was rendered to the subscriber, the provider should not be denied payment for service – for both private and government payors, including Medicare and Medicaid.

- ii. Require payors to provide claims data to physician groups, whether or not the claims are part of a risk-sharing contract. Access and use of claims data would enable the ability to promote cost efficiency and quality improvements.
- iii. Promote and facilitate more community/regional partnerships to meet patient needs at the local level. There is a significant need to improve care transitions and access to care for mental, behavioral and substance abuse health on a daily basis, including weekends and holidays.

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

Providers have limited control over the sharing of health care cost savings from insurance companies to consumers and businesses. Internally, however, Southcoast continues to implement many interventions to control health care costs for its own employees. To date, Southcoast’s efforts have enabled the employee portion of healthcare premium costs to remain stable for several years. Southcoast’s ability to control the cost curve within its employee health plan was achieved through multiple interventions including:

- Encouraging healthy habits through a lower health insurance premium for employees who complete wellness incentive activities including completing a free, smoking cessation program, free annual biometric screening and health risk assessment, and a primary care health visit every other year. A choice of three weight loss programs are provided at a discount for all employees, and are free for health plan members whose BMI exceeds 30. Personal Health Nurses follow-up with employees or dependants with specific illnesses.
- On-site retail pharmacies offer reduced co-pays for Southcoast Health Plan members.
- A tiered insurance product encourages employees and their dependants to use lower cost, high quality facilities
- Use of a third party administrator with an administrative ratio that is half of the rate for most fully insured payors.

Due to Southcoast’s own successes at controlling costs for employees and their dependants, Southcoast works with Harvard Pilgrim Health Care’s subsidiary known as HPI, a Third Party

Administrator, to offer a tiered product offering called NorthStar Preferred Care for self-insured businesses in our communities. The product has been very well received by local businesses, and achieves its goal of providing more local care at a lower cost.

Southcoast negotiates rates with payors that are close to inflation. Southcoast also participates in shared risk arrangements that focus on utilization reduction while improving the subscriber's health.

**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?**

**SUMMARY:** HPI assisted with the creation of Southcoast's NorthStar Preferred product, modeled from successful efforts to control cost growth within its own employee health plan, and marketed to local, self-insured businesses. Through the use of a tiered network and member support services, NorthStar provides its members with high quality services at controlled costs and personal choice.

As mentioned in the previous response, Southcoast has taken many actions to help control the growth in health care prices, such as its NorthStar Preferred product and contracts with payors. Other initiatives include consolidation of process steps, examination of supply choices, adjustment of staffing in response to volume fluctuations, patient flow improvements to improve timely care delivery and a centralized scheduling department to manage no-show appointments and prompt filling of open appointment slots to facilitate timely access to care. As a three-site hospital system, Southcoast has been able to standardize many practices across all care locations.

Southcoast Hospitals Group provides services and care for many communities that experience socio-economic challenges, a higher rate of unemployment than the state-wide average, thereby forcing a continual review of operations to ensure efficient care delivery. In the various reports published by the OAG, DHCFP, and CHIA, despite Southcoast Hospitals Group's presence as an essential provider of health care services, its rates are approximately at the median for commercial payor rates. Southcoast has not used its position in the marketplace to extract inappropriate payment levels from insurance companies. Southcoast reinvests its earned dollars to provide physician resources, to renovate facilities, and deliver new technology to its communities.

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

**SUMMARY:** As the South Coast region's only provider of general, inpatient psychiatric services, Southcoast is well-aware of the many challenges presented in the care of patients with behavioral and physical health needs; a majority of the patients have both physical and behavioral health needs. In its inpatient program, Southcoast integrates behavioral and physical health needs in the acute setting, while simultaneously providing patients with education and support for at-risk

behaviors that may impact their physical health now or in the future. There are many challenges to overcome: identifying the continuum of behavioral health services within local communities; attracting experienced clinicians and mental health workers to the region; adjusting payments for behavioral health services that truly reflect the complexity of care; and improving timely patient access to state psychiatric facilities.

Historically, the behavioral health services offered directly under the Southcoast Health System have focused on individuals who require inpatient psychiatric care. Southcoast operates a thirty-bed unit, known as the Rogers Unit, located at the St. Luke's Hospital site in New Bedford. A significant number of individuals with a mental or behavioral illness also have a co-morbid physical health condition. As a full service community hospital, the Southcoast hospitalists and specialists play an integral role in co-managing these patients. Southcoast recognizes that an inpatient psychiatry admission may be the first contact an individual has with the health care system as some patients may not interact with a primary care provider. Therefore, the Rogers Unit staff members implement the discharge planning process immediately upon admission to ensure that patients have access to primary care services at the time of discharge. Southcoast works closely with the other primary care and family practice providers in the South Coast region to facilitate follow-up for behavioral health patients.

Behavioral health disorders may also include a range of addictive behaviors, such as smoking or eating disorders, which are characterized by an inability to abstain from the behavior and a lack of awareness of the problem. A broader range of behavioral health disorders that are tied to medical conditions are addressed on the Rogers Unit including the following examples:

- Smoking cessation support during inpatient stay and post discharge
- Nutritional consult and counseling as part of the Healthy Lifestyle inpatient groups
- Collaboration with the local Alcoholics Anonymous (AA) to provide on-site meetings.

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

Over the course of the past year, Southcoast has collaborated with many local, community-based providers of these services. The goal of this endeavor is to build strong relationships with a range of providers who provide services that can further help to meet patient needs. Southcoast explored the state's Primary Care Payment Reform Initiative and discussed how a collaborative effort could be achieved in the future.

Reducing inefficiencies that exist in the process of discharging mental, behavioral and substance abuse health patients to the most appropriate care settings is of particular interest to Southcoast. By working collaboratively with other providers within our region, Southcoast is attempting to quicken the process of providing patients with quality care in the most appropriate setting, along with a goal to lower the rate of recidivism.

Southcoast is exploring ways to leverage its home care services to more appropriately manage post-acute care for behavioral health patients. Home care services could assist patients to better manage their daily routines, including medication compliance and follow-up with post-discharge care plans.

Southcoast hopes to expand community-based behavioral health services through its Primary Care and Family Practice provider base in collaboration with existing behavioral health services to bridge inpatient psychiatry services. Similarly, Southcoast Physicians Network providers need further assistance to manage patients with behavioral health concerns. There are various approaches either in process or under consideration that include:

- Establishment of community-based behavioral health services, co-located near primary and family practice providers to include options such as psychotherapy, medication co-management with the PCP, outreach and education.
- Development of proactive interventions to reduce recidivism and prevent unnecessary inpatient stays via short-term medication management clinics to assist patients between acute psychiatric hospitalization and outpatient services.
- Implementation of an integrated electronic medical record (EMR) that brings behavioral health documentation into the care continuum.
- Primary Care leaders are exploring ways to integrate behavioral health needs into a Primary Care Medical Home (PCMH) model.

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

There is a lack of experienced clinicians in the behavioral health field. The challenges associated with the work, combined with the limited compensation for services likely contribute to the clinician shortage. The South Coast region would benefit from more licensed psychiatrists and mental health workers. The payment rates assigned mainly from designated Psychiatric Benefit Managers continue to lag behind the true cost of providing psychiatric care. Under the Affordable Care Act, mental health and substance use disorder services, including behavioral health treatment, prescription drugs, rehabilitative and habilitative services, and devices have now been deemed an essential health benefits. As such, payment for such services should be on par with other medical services rendered by health care providers.

The region would also benefit from a true, community-wide assessment and accounting of all current services to identify gaps and opportunities to link these services together in a coordinated fashion. Enhanced IT infrastructure would assist providers from different organizations in communicating effectively regarding their shared patients; an advanced IT system would enable Southcoast to place patients in the appropriate facilities in a more-timely manner.

There is a significant wait-time to discharge patients from the inpatient psychiatric unit to a state facility. This situation is perplexing given the reported availability of psychiatric beds in state facilities. Southcoast's inpatient psychiatric unit has 30 beds that typically run at a daily occupancy rate of greater than 90%. Similarly, the placement time for behavioral health patients who occupy an emergency department bed while awaiting placement at an external psychiatric facility is staggering. The delay in access to behavioral health beds within the Commonwealth prohibits timely care delivery, and interrupts the ability to deliver care to emergency department patients when beds are occupied by behavioral health patients awaiting external placement. The process is particularly slow for patients with MassHealth or no insurance (together comprising a large portion of Southcoast's behavioral health patients), whose placement must be arranged by a non-Southcoast, external agency due to state regulation. By working collaboratively with health systems, there is an opportunity to reduce waste now experienced with duplicative patient assessments and psychiatric bed placement processes.

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

- i. Establish transparency for available resources (inpatient, outpatient and community-based agencies).
- ii. Improve reimbursement rates for mental, behavioral and substance abuse health providers. Enhanced resources and coordination for public payor patients needs to mirror services and payments paid by commercial payors.
- iii. Increase the number of behavioral health clinicians, providers and mental health workers to positively impact the region's collective ability to meet the needs of these patients.
- iv. Support payor and provider initiatives that quantify the cost of care for individuals with mental, behavioral and substance abuse disorders. Example: Collaborate to develop total cost of care data for an episode of care, starting thirty days prior to a psychiatric hospitalization and extending for ninety (90) days following discharge. Examining the care provided during the episode could help to identify missed opportunities/ interventions that could have positively impacted patient outcomes and lowered the overall cost of care.
- v. Given the developments over the past several years whereby services previously provided at nearby Taunton State Hospital were reduced, establish a resource-supported pilot program in southeastern Massachusetts bringing all like-minded providers together to integrate a coordinated community-based, team-based care delivery model that would best meet the needs of these patients.



**4. Chapter 224 seeks to promote more efficient and accountable care through innovative care delivery models and/or alternative payment methods.**

**SUMMARY:** Southcoast's efforts to innovate care delivery started with its three-hospital merger in 1996. Since that time, Southcoast Health System has grown to provide multiple outpatient access sites throughout the region, providing a continuum of care services for its communities. An accountable care organization (ACO) was formed in 2012 and approved by CMS in January, 2013 to participate in the Medicare Shared Savings Program (MSSP). Southcoast also participates in risk-sharing agreements with commercial payors.

**a. Describe your organization's efforts to promote these goals.**

- i. In 2013, Southcoast established a new physician role for Vice President of Population Health, recognizing the need integrate care and oversee health needs for all populations served in our communities.
- ii. Concerted efforts to improve access to care with expanded, but unified care delivery locations started with a three hospital merger in 1996, forming Southcoast Health System and Southcoast Hospitals Group. The current entities include hospital locations, outpatient care areas, physician ambulatory practice sites, a physician network and a visiting nurse association (VNA). Where needed, Southcoast contracts with selected providers including a post acute network of skilled nursing facilities. Southcoast will soon invest in a major information technology (IT) implementation to integrate all care delivery locations into one, cross-continuum IT platform to advance efficiencies to deliver accountable and integrated care.
- iii. In 2012, Southcoast created the Southcoast Accountable Care Organization, Inc, and received approval by CMS to implement a Medicare Shared Savings Plan model, effective January 1, 2013. Implementation is now underway to innovate care delivery models combined with alternative payment methods.
- iv. Southcoast participates in several risk-sharing, payor contracts targeted at controlling costs. Through the Blue Cross Alternative Quality Care (AQC) contract, for example, Southcoast currently collaborates with the New England Quality Care Alliance to improve quality and patient experience while reducing unnecessary expenses.
- v. Since 1996, Southcoast has grown its care delivery network and locations to improve access and convenience for patients as evidenced by the service locations map: [See Attachment B for supporting documentation.](#)

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

- All providers, whether for-profit or not-for-profit, should share in the financial challenges of caring for the uninsured population, and shouldering care for Medicare and Medicaid beneficiaries where rate relief is essential.
- Payors and providers should continue to work towards the common goal of administrative simplification but opportunities exist specifically in the area of using or redirecting limited funding for health care education and care management. Funds should be directed to the local care level rather than general marketing materials or corporate staffs, which have limited benefit for specific communities or providers.
- While health care reform in Massachusetts has instituted many positive changes, the issue of reducing the disparity in provider rates continues to plague the health care industry. These disparities have been incorporated into risk sharing arrangements where a provider's Total Medical Expense reflects these pricing disparities. Risk sharing agreements, where the budgeted TME is severity adjusted could also reflect a medically appropriate expense level that would move providers at the tail ends of provider rate distribution closer to the median for surplus sharing parity.
- The cost growth benchmark established by c.224 is currently being used by health plans as artificial guidance and a rationale to significantly limit rate increases in negotiations, to percentages well below the current 3.6% benchmark. For providers like Southcoast that have very high public payor mix and rely on commercial payers to support under reimbursement from public payers, the use of the benchmark in this manner is troubling and exacerbates rate inequities. Ideally, c.224 would have included a remedy for disproportionate share hospitals' (DSH) lack of market clout which might have served to combat health plans using the cost growth benchmark as a stick in negotiations. Instead, the cost growth benchmark appears to be used as a tool in negotiations with providers who have the least market clout, thereby perpetuating the rate inequities that have been made transparent over the past three years.

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

One of the policy changes that would help promote more efficient accountable care would be the redirection of premium dollars for care management to the provider level rather than at the payor level. Often times there is not enough infrastructure monies given to facilities such as Southcoast, and resources are used unwisely at the payor level rather than where care is directly provided.

Southcoast recommends a systematic change to require payors to provide claim level detail on all subscribers (indemnity, HMO, PPO, POS) to an accountable care organization, whether risk is assumed or not. In this manner, all providers will have the opportunity to affect appropriate changes in utilization and referral patterns. Patients change between HMO and

PPO products which creates an incongruous system for providers whereby providers have clinical data without accompanying PPO data.

Please refer to prior statements in Exhibit B, question 1, c.

**5. What metrics does your organization use to track trends in your organization's operational costs?**

**SUMMARY:** Southcoast employs a variety of metrics to track operating costs – both for the hospitals and for ambulatory care practice sites. A combination of both quality and financial metrics are used. Quality metrics monitor for the safest, highest quality care with goals to eliminate controllable complications. A variety of external sources are used for benchmarking data, including Premier, Inc. Southcoast uses a Monthly Operating Review (MOR) process to identify cost variances and will soon include volume and clinical practice variation at the department level, with action plan accountability to return to defined quality goals and budget requirements.

Evidenced-Based Care – A subset of national core quality measures, mimicking metrics reported by CMS under the hospital Value Based Purchasing Program.

Ventilator-Associated Events (VAE) – A patient safety metric to assess the rate of patients who may acquire pneumonia following use of a ventilator.

Central Line-Associated Blood Stream Infections (CLABSI) – A patient safety metric to assess the rate of patients who may acquire an infection following use of specialized intravenous fluid lines.

Patient Falls – A patient safety metric to assess the rate of patient falls occurring during hospitalization.

Pressure Ulcers – A patient safety metric to assess the rate of pressure ulcer development during hospitalization as an indicator of nurse-sensitive care.

Catheter-Associated Urinary Tract Infections (CAUTI) – A patient safety metric to assess the rate of UTI development during hospitalization.

30-Day, All Cause, Unplanned, Hospital Readmissions – A metric to monitor the rate of unplanned hospital readmissions.

Total Hospital Average Daily Census (ADC) – The average number of inpatients per day

Total Hospital Length of Stay (LOS) – The average number of days that a patient stays in the hospital

Total Hospital Days – The total number of patient days within a given period of time: a day, a month, etc.

Adjusted Discharges – A calculated number using the total number of inpatients plus a factor to account for outpatient visit volume.

Cost per Adjusted Discharge – Total expenses, divided by adjusted discharges to assess average costs per patient.

Medicare Case Mix Index – A calculated value reflecting the complexity of inpatient care. A higher number reflects more complex care.

Full Time Equivalents (FTEs) per Adjusted Occupied Bed (AOB) – The number of full time equivalents (40 hours) divided by the total number of patient days, adjusted for the outpatient visits and case mix (complexity or acuity of the cases). This metric helps to assess labor costs compared with patient volume.

Average Compensation (Salaries and Benefits) per Full Time Equivalent (FTE) - Total salaries and benefit expense and divided by the number of full time equivalents (40 hours).

Average Compensation (Salaries and Benefits) per Net Revenue – Total salaries and benefit expenses divided by net revenue. Net revenue is the total revenue expected from collections for services rendered. The resulting percentage identifies the relationship between net revenue and salary/benefit costs.

Operating Income Dollars and Margin – Total net revenue minus total operating expense. This metric identifies the percentage of net revenues remaining after accounting for expenses.

Earnings Before Interest, Depreciation, and Amortization (EBIDA) Dollars and Margin – Similar to operating income, but including interest, depreciation, and amortization. Depreciation and amortization do not impact cash; therefore, this metric is a better reflection of cash flow.

**a. What unit(s) of analysis do you use to track cost structure (e.g., at organization, practice, and/or provider level)?**

In addition to the above metrics, Southcoast uses a separate profit and loss statement for each physician and/or physician group in the Health System. These statements enable comparative analysis between and within practice sites, identifying opportunities for adjustments to improve efficiency.

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

- i. Southcoast subscribes to the Premier Quality Advisor™ database with data representing approximately one in five hospital discharges in the U.S. The database helps to identify

trends including cost/case, length of stay, hospital acquired conditions and other quality factors that contribute to the overall cost of patient care in the hospital setting.

- ii. Premier collaboratives such as QUEST and the CMS Partnership for Patients facilitated via Premier are positioned to improve quality, efficiency/cost, and patient experience, reduce harm and to reduce excess readmissions. Data is provided to collaborative members for benchmarking and improvement opportunities.
- iii. Southcoast uses the DHCFP-CHIA 403 Cost Report data each year and selects peer organizations for benchmarking purposes. Moodys Rating Grid is used to monitor key financial indicators.

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

Monthly Operating Reviews (MORs) are conducted monthly. Meetings are established with most hospital departments. Participants include the manager and/or director of the area, the responsible vice president and the associated senior executive leader. Prior to the meeting, each department receives a copy of the department's financial data for the month, a comparison to budget, and projection of that budget by year end. In the near future, MORs will be expanded to include volume review and clinical practice variation identified by PEP projects as holistic reviews of department performance. Leaders receive trend reports to compare current results to the results from the prior year and prior months. In preparation for the meeting, the department reviews the report and all variances that are not in line with the budget. Items reviewed include volumes, revenues and expenses, and key indicators such as staffing and supplies. Managers research the reasons for the variances and identify a corrective action plan to bring the budget in line. Corrective actions are thoroughly reviewed during the MOR meeting. Approved action plans are implemented and monitored closely for the remainder of the year, along with any appropriate plan adjustments. Quality metrics are reported to all levels of Leadership on a regular basis; a trustee scorecard of quality, financial, volume and patient experience metrics are reviewed by senior leadership monthly and by the Board of Trustees quarterly. Quality and safety metrics are distributed to all members of leadership for review with front line staff every month. Lean/Six Sigma project review and update sessions for senior leaders and department directors are conducted three times annually.

**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.**

Southcoast established a committee to review the new law created by Chapter 224. Southcoast will use a Cost Estimator tool to meet the needs of the patient. Southcoast is also working with payors and the Massachusetts Hospital Association (MHA) to review other online web tools for the Cost

Estimator. Southcoast questions why providers and payors share the same regulatory requirements for cost estimators; this effort seems administratively duplicative.

Southcoast will:

- a. **Provide estimates upon request:** The current patient estimator tool in place should be able to accommodate most requests. For other requests, Southcoast will use the permitted number of two working days to research internal data in order to provide an estimate, even if the result is an estimated maximum for the requested service.
- b. **Provide third party payor contact information as needed:** Southcoast will be able to provide contact information for most, significant third party payors. If necessary, Southcoast will assist the patient by researching other payors.

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

**SUMMARY:** Southcoast responded to industry needs by offering its own, tiered network product to businesses within the South Coast region. Southcoast believes that the recently published reports identify issues which merit attention: 1) Variation in payment rates among providers for similar services, and 2) Identified regions in the Commonwealth with a remaining, high percentage of uninsured residents at a rate substantially above the statewide average.

The reports issued by the Attorney General and CHIA cover many component parts of the healthcare industry in an effort to detail ways to lower costs for consumers. Tiered network products are designed to increase the utilization of local, less expensive healthcare services by offering the most coverage for lower cost providers. Southcoast champions this approach locally through the establishment and promotion of its own tiered network product known as NorthStar Preferred. Southcoast markets NorthStar to local businesses in an effort to lower their healthcare costs and the healthcare costs paid by their employees.

A consistent finding in the industry as highlighted by the reports is the variation in rates for similar services paid by insurance companies. The reports illustrate the correlation between the size and market clout of a healthcare provider and the associated reimbursement rates. Unfortunately, rates paid to larger, more expensive systems can have a predatory effect on rate negotiations for smaller systems with less market influence outside of metro-Boston. This historic variation, with little if any direct relationship to quality, is unfair for both providers and consumers. Policies that implement standards to balance this differential would help to remedy this challenge of controlling and level-setting healthcare costs. A missing component in the analysis is the relevant payor mix of each institution in conjunction with their pricing.

The reports also describe the increase in patients with health insurance coverage in the Commonwealth of Massachusetts due to the passage of the state's Healthcare Access Law in 2006. While the overall percentage of uninsured residents has dropped to an average rate between 1% and 3%, the statewide rate does not reflect the existence of significant outliers. According to a report released earlier this year by the Blue Cross Blue Shield Foundation of Massachusetts, from 2008 to 2010, the South Coast region, particularly the communities of Fall River and New Bedford, faced a significantly higher rate of nonelderly adults ages 19-64 who were uninsured.\* For Fall River, the report estimates that 7% (p.24) of the population was without health insurance and in New Bedford the challenge was even greater with 11% (p.24) of the population still uninsured. While there are clear, significant gains on this issue statewide, some communities remain very challenged with large numbers of residents who remain uninsured. Such outlier areas place a greater strain on Southcoast as a not-for-profit system of providers, faced with the financial challenges of delivering care to patients who either do not have insurance coverage or who utilize a public payor that reimburses 10% to 25% below the cost of care. As a disproportionate share hospital (DSH) with over 70% of patients utilizing either a public payor or lacking insurance coverage, Southcoast is acutely aware of the on-going challenges. As a charitable care organization, Southcoast continues and will continue to fulfill its mission of providing care to all patients regardless of their ability to pay despite state-wide inequities in payment rates and insurance coverage.

\*Long, Sharon K., Dana Goin, and Victoria Lynch. *Reaching the Remaining Uninsured in Massachusetts: Challenges and Opportunities*. Rep. N.p.: BCBS Foundation Massachusetts, 2013. Mar. 2013. Web. 16 Sept. 2013

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**Exhibit C:** Questions posted by the Office of the Attorney General (OAG).

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- 1. For each year 2009 to present, please submit 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.**

Southcoast's payor mix is approximately 73% for Medicare, Medicaid, Self Pay, Free Care and other government programs. Due to chronic underfunding by the state and federal governments, the commercial payors have been asked to support more than their share of health care costs. As reports are published by various government agencies regarding the wide variation in commercial payor rates by provider, the reports and website data sometimes fail to take into account that for some providers such as Southcoast, higher commercial margins are the only way to keep the doors open for our facilities. Commercial rates alone are only one part of the story; the complete analysis must be combined with the entire payor mix for the provider. Southcoast Hospitals Group has the same payment rates for HMO and PPO business lines by payor. The hospital has used its portion of surpluses from risk contracts to assist with the infrastructure expenses of the network.

See Attachment C for supporting documentation.

- 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 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.**

**SUMMARY:** Southcoast analyzes claims data provided by the Blue Cross AQC HMO contract to identify best practices and performance/cost outliers. Regular meetings by providers and staff identify areas for improvement. Ambulatory practice locations focus on specific metrics for performance improvement activities. Other Southcoast services, such as centralized scheduling in its Care Connect program, a contracted network of preferred provider skilled nursing facilities and care managers work collectively to integrate care, control costs and improve patient experience.

Southcoast entered into the BCBS MA AQC contract in 2009. When the HMO claims data are received, an analysis is performed to identify outliers. Examples include: Higher than expected inpatient admissions, readmissions, outpatient ancillary testing units, ER visits and leakage (aka out-migration) for services that could have been provided locally. Once the data are analyzed, monthly meetings are held with PCP groups to review findings and examine best practice cases. If the outlier area involves medication use, a Southcoast pharmacist provides recommendations to suggest lower



cost alternatives or other highly effective alternative medication therapy. Physicians and Office Managers have chosen two to three focus areas this year in order to improve compliance with evidence-based quality measures. By focusing efforts on a limited number of metrics at a time, the Southcoast Physician Network (SPN) staff can provide an in-depth review of processes, identify improvement needs and implement changes within a given practice location.

Southcoast's ambulatory care practices access the Southcoast Care Connect service to facilitate scheduling of patients for tests and in-network specialist referrals.

A preferred provider, post acute care network has been established with several skilled nursing facilities. Within these facilities, a Southcoast-assigned medical director working with mid-level providers or other Southcoast physicians, monitors SPN patients to ensure the provision of timely and effective care focuses on timely discharge to home and to avert excess, hospital readmissions.

Southcoast Care Managers are either assigned to a particular payor's subscribers if funding has been provided, or are geographically assigned to specific practice locations or via phone contact to those patients in need of intensified oversight. On a quarterly basis, SPN providers meet periodically to discuss the results of various clinical, operational or financial initiatives or contracts. When new providers join the existing Blue Cross AQC contract, education is provided to new physicians and office managers to explain the available tools and resources (i.e. patient registry) and the expectation to provide high quality, efficient, and highly satisfactory services. Medical Assistants in the office practice locations have revised job responsibilities to maximize the practices' efficiency by establishing job assignments at the highest possible level of competence and licensure. For the last year, the actual increase in Total Medical Expense for Southcoast's at-risk patients was only 1.7%, illustrating that with the correct infrastructure in place, the cost of medical expenses can be kept to a low level.

As new risk contracts are negotiated, the same care management processes are applied for all payors. While Southcoast would like to receive all data on HMO, PPO, and POS subscribers, most payors at this time are only providing contracts and data related to the HMO population. The only changes in the payor mix for the hospital has been the loss of mainly commercial business to for-profit providers that have expanded their facilities.

- 3. Please explain and submit supporting documents that show how you quantify, analyze, and project your ability to manage risk under your risk contract, 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.**

For any new risk contract at Southcoast, only upside risk is assumed until such time as a sufficient amount of reserves are set aside in case of a deficit situation. In the case of a deficit, Southcoast limits the amount of exposure through the use of maximum deficit limits. Southcoast utilizes stop-loss coverage within each contract to limit the out of pocket maximum cost for claims using specific and aggregate levels. Southcoast maintains fiduciary responsibility to only enter into contracts

where substantial protection exists. Therefore, whether the contract covers commercial or government business, the need to establish and maintain reserves does not change.

Historical claims data are reviewed. Southcoast requires specific contract clauses to address situations such as changes in severity, changes in unit cost due to negotiations with other providers, changes in subscriber composition, and/or changes in the growth of medical costs.

**4. Please describe and submit supporting documents regarding how, if at all, you track changes in the health status of its patient population or any population subgroups (e.g., subgroups by carrier, product or geographic area).**

- a. Southcoast continually conducts/updates community health needs assessments to assess overall health status indicators in our region.
- b. Southcoast utilizes an external information analytics application to analyze available payor claims. For the last few years, these analyses enable providers to assess compliance with ambulatory quality metrics associated with wellness, prevention and chronic disease management. See Attachment D for supporting documentation.
- c. Heart Failure: In effort to improve patient quality of life and to reduce excess hospital readmissions, Southcoast opened two, outpatient heart failure clinics within the past year. Internal data shows that patients who participate in heart failure clinics avoid hospitalization for an average 70 days.
- d. Functional Health Assessment: To assess the impact of care for patients undergoing elective, open heart surgery, Southcoast employs the patient self-assessment tool known as the SF-36® Health Survey. Patients conduct a written, self-assessment at the time of surgery and at six and twelve month intervals post-operatively.

**5. Please submit a summary table showing for each year 2009 to 2012 of 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](mailto:HPC-Testimony@state.ma.us).**

See Attachment AGO Exhibit 1 for supporting documentation.

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.

Southcoast identified three areas of expense for the hospitals group that met the 5%/10% criteria. The cost growth for these areas is provided and explained in the following table:

Operating Expense	FY'10 Act	FY'11 Act	FY'12 Act	Change FY'11 to FY'12	Change FY'10 to FY'12	Comments
05 Physician Services	46,215,213	50,885,578	55,775,584	9.60%	20.70%	Cardiac Services has grown \$2.9 million or 80% with the focus on this area and the addition of practices  ER physician coverage increased \$1.9 million or 9% from FY'10 to FY'12  Hospital based physicians (hospitalists and intensivists) has increased \$2.2 million or 4.4%
07 Depreciation	33,456,278	35,210,200	38,360,457	8.90%	14.70%	In FY'10, capital spending was held back for financial reasons. In FY 10 we spent \$47 million in capital and in FY'12, we spent \$71 million, an increase of \$24 million or 51%  Construction of the Fairhaven Cancer Center was completed in June 2011, resulting in higher depreciation expense of \$1.1 million in 2012
08 Interest	4,715,891	5,727,068	5,480,484	-4.30%	16.20%	Interest expense increased \$765,000 or 16.2% from FY'10 to FY'12. In FY'10 we capitalized over \$2 million in interest expense for the Fairhaven Cancer Center project, which reduced our interest expense by that amount in that year

7. Please describe and submit supporting documents regarding any programs 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.

**SUMMARY:** Southcoast provides a variety of wellness programs including employee-specific wellness benefits to aid in health prevention, smoking cessation, weight loss, and a mandatory influenza vaccination program called "Choose Your Shield." The Southcoast Health Van is a free, community service supporting residents who lack access to primary care. The services provide health screenings, education and referral services. Several patient program services are wellness oriented: bariatric surgery, cardiac rehab, pulmonary rehab, heart failure management and diabetes management.

- a. **Employee wellness initiatives (weight loss, health prevention/risk factor assessments, “Choose Your Shield” influenza vaccination program.**

**Employee Wellness:**

Southcoast Health System provides medical, prescription and wellness benefits to approximately 10,500 individuals for employees and their dependants through the Southcoast Health Plan. The mission of the Health Plan is:

To provide a comprehensive, high quality, high value health insurance plan to Southcoast Health System eligible employees and their families that is affordable and shares responsibility between members and Southcoast for maintaining and improving good health, addressing health concerns as early as possible, insuring against catastrophic costs, achieving optimal health outcomes and payment for services. In addition, a broad range of wellness programs are offered to all employees of the Health System.

To meet these objectives, the Health Plan provides Personal Health Management for everyone on the Plan – whether their provider is a Southcoast physician or a provider who practices outside of the Southcoast network. A team of Personal Health Nurses work with identified patients and providers to coordinate care, educate patients on how to deal with their health condition, find lower cost alternatives, comply with medications, and cope with social and other obstacles that can get in the way of good health. In the past year, the nurses worked with nearly 200 patients with overall, positive results. The positive efforts reduced health risks, improved compliance with evidence-based medicine and resulted in lower out-of-pocket expenses.

For patients in the Southcoast Health Plan who are at the highest end of the risk spectrum and who have a Southcoast Primary Care Provider, a new pilot program provides free generic medications and in-office care consultations with the Primary Care Physician and the Personal Health Nurse to further strengthen the bond between the health care team and patient. This effort is expected to further improve the health of our employees and families, while also helping to keep costs in check for patients who have historically experienced a high, health care cost spend.

Wellness programs are available to all Southcoast employees; many programs are provided free of charge. Free biometric screenings and health risk assessments are linked with a monetary incentive for employees to participate. This year, Southcoast assisted 90 employees in identifying a serious health risk that they otherwise did not know about. The proactive screening approach provided employees with time to work with their doctor to prevent a catastrophic health event.

In 2012, over 70 employees enrolled in a tobacco cessation program. The tobacco programs were launched in concert with Southcoast’s conversion to a tobacco-free campus in 2012.

Smoking cessation efforts were supported by online assistance, in-person groups, one-to-one counseling, and free medication support.

Since 2012, over 100 people enrolled in a Southcoast-sponsored weight management program. Employees collectively lost 949 pounds and reduced the incidence of pre-diabetes, obesity and hypertension.

Southcoast offers free stress reduction programs, a fitness reimbursement program, health coaching services, and have recently launched yoga and meditation programs at the hospital sites. The cafeterias offer healthier food and beverage options including nutritional content labeling. There are also extensive self-learning opportunities including lunch and learn, web-based and community programs.

In efforts to drive hospital staff participation for influenza vaccination, Southcoast implemented a mandatory program for the 2012-2013 flu seasons to support employee wellness initiatives. The mandatory program called, “Choose Your Shield” provides hospital staff, physicians, volunteers and contractors with two options: receive an influenza vaccination or wear a surgical mask whenever coming within six feet of any other individual. The program applies to all staff in all departments and locations – both on and off-campus, and all entities within Southcoast Health System. In the first year of the program, vaccination rates for the hospitals group employees soared to 93% (as assessed by internal data metrics), surpassing the state’s goal of 90%, and the overall response rate by the health system employees to indicate a flu shield option reached 97%. The same program will continue for the 2013-2014 flu season.

See attachments for supporting documentation: HealthQuest brochure, Personal Health Nurse brochure, Tobacco cessation flyers (2), Weight management program flyer.

**b. Southcoast Health Van**

The Southcoast Health Van provides free services to South Coast residents who lack access to primary, preventive health care, particularly populations who have language, income or geographic barriers to accessing care.

The Southcoast Health Van plays a major role in health outreach in the South Coast region. Some 2,669 residents visited the van during the past year, benefiting from more than 7,619 free health screenings including cholesterol, blood pressure, blood sugar, BMI, bone density, oral cancer and pregnancy testing. Health information was provided for stroke prevention and cancer education on breast, skin, cervical, prostate, lung and colon cancers.

The Southcoast Health Van is licensed by the Massachusetts Department of Public Health and provides free health screenings and education in a number of highly visible and

accessible sites though the region offering services including blood pressure, blood sugar and cholesterol, immunizations, bone density screenings, pregnancy testing and extensive health education. Van staff members make regular referrals to primary care and assist residents who lack health insurance.

Abnormal blood sugars were found in 26% of individuals screened; 29% had abnormal cholesterol levels; 7% had abnormal blood sugar levels. Our van staff provides extensive education on these risk factors along with referrals for ongoing primary care services.

The Southcoast Health Van serves an ethnically diverse population including Portuguese, Brazilian, Hispanic, Mayan K'iche and Cambodian immigrants. Health Van staff also work closely with cultural organizations, churches and other community groups such as soup kitchens, to conduct outreach to diverse populations in order to develop culturally sensitive programs. During the past year, the van and its staff made regular visits to local food programs for homeless residents in Fall River, New Bedford and Wareham. The health van is frequently the only health prevention-related encounter for residents in these communities.

**c. Patient Programs**

- Bariatric Program: Southcoast offers an extensive and holistic approach to bariatric surgery, including pre-surgical assessments, psychiatric assessments for program readiness and group support sessions. Southcoast's program is accredited by the Metabolic and Bariatric Surgery Accreditation & Quality Improvement Program, and is the only hospital in the region to receive 5-star recognition for overall bariatric surgery by Healthgrades for 4 years in a row (2009-2012).
- See Attachment E for supporting documentation describing each of the following programs:
  - Cardiac Rehabilitation
  - Pulmonary Rehabilitation
  - Disease Management: Heart Failure
  - Diabetes Management