COMMONWEALTH OF MASSACHUSETTS
HEALTH POLICY COMMISSION

Cost Trends and
Market Performance

April 1, 2015

Agenda

- Approval of Minutes from the February 25, 2015 Meeting **(VOTE)**

- Discussion of 2015 Research Topics

- Discussion of Dashboard and Data Availability Activities

- Update on Market Metrics

- Discussion of HPC's Role in the Determination of Need and Essential Services Review Processes

- Schedule of Next Committee Meeting (TBD)

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Vote: Approving Minutes

Motion: That the Cost Trends and Market Performance Committee hereby approves the minutes of the Committee meeting held on February 25, 2015, as presented.

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Throughout the year, the Health Policy Commission will complement agency reports issued with a series of "white papers"
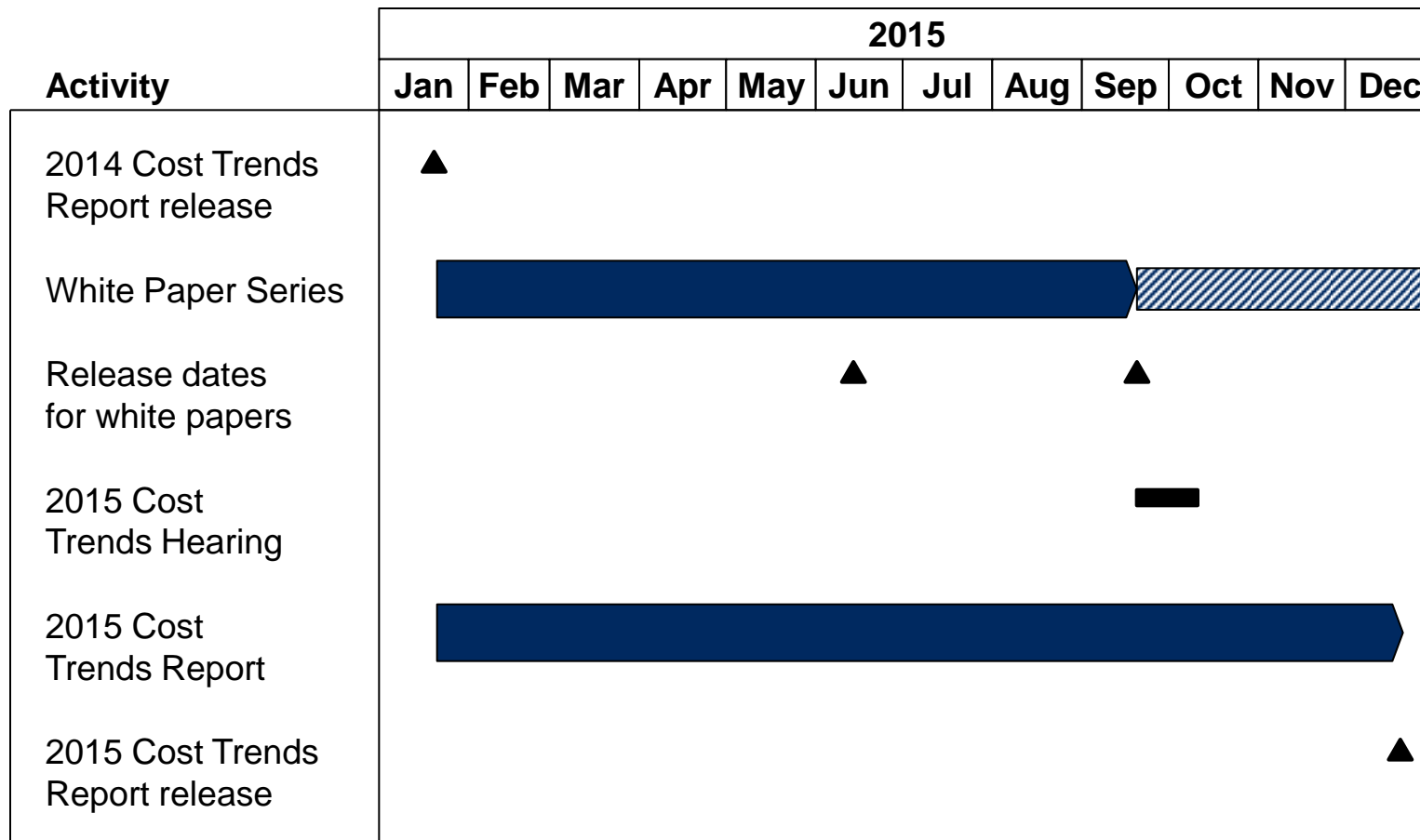
2015 Cost Trends Report

- Comprehensive report with market-wide view
  - Many descriptive analyses
  - Time trends and updates
  - National comparisons
  - Year-to-year continuity
  - May also include new or focused topics

- Publish one report at end of year

White Papers

- In-depth study of one issue

  - Examination of cause and effect
  - Often in partnership with outside researchers and other HPC teams
  - More advanced analytic methods and/or original data collection

- Publish 2-4 working papers in 2015 on an occasional basis

Examine trends, drivers, opportunities, progress
Include evidence-based recommendations to increase quality and efficiency
Choose actionable, relevant topics, where HPC is uniquely positioned to contribute
Employ rigorous methods & objective analysis

Draft 2015 research timeline

Activity	2015											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014 Cost Trends Report release	▲											
White Paper Series	███████████████████████								░░░░░░░░░░░░			
Release dates for white papers						▲			▲			
2015 Cost Trends Hearing									▬			
2015 Cost Trends Report	████████████████████████████████████											
2015 Cost Trends Report release												▲

Potential topics for 2015 research – for discussion

- **Primary care access and preventable ED and inpatient visits**
  - Characterize patterns of preventable ED and inpatient use (by region, population)
  - Assess relationship between use and multiple measures of primary care access (e.g. provider supply, retail clinics, urgent care, acceptance of MassHealth)
- **Employers and insurance markets**
  - Role of employers as health care and health plan purchasers in cost containment
  - What are the barriers to defined contribution strategies, limited network products, and use of Connector (small employers) and how could barriers be overcome?
  - Survey and focus group methods
- **High-cost drugs**
  - Potential cost impact, policy issues
- **Analysis of episodes**
  - Assess provider-level variation in spending, including role of both price and quantity
  - Foundation for future work re bundled payment, clinical improvement, and transparency
- **Other topics**
  - Best practices for use of provider data, episode payments, end of life care, relationship between health spending and health sector employment

Some topics may be covered in 2015 Cost Trends Report, some in working papers or issue briefs

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2014 Cost Trends Report: Enhancing Transparency and Data Availability

2014 Cost Trends Report Recommendation

" The importance of transparency and availability of data surfaces throughout our discussions of spending trends, care delivery, APMs, and demand-side incentives. Data are essential to all aspects of system transformation, including setting priorities, strengthening care delivery, designing and succeeding in new payment models, harnessing the power of consumer choice, and monitoring progress. "

HPC's Method to Advance the Goal

The HPC will develop a set of **measures** to track health system performance. In 2015, the HPC will develop a set of health system performance measures, or "**dashboard**," to enable the Commonwealth to set **concrete goals** for advancement. This dashboard will be publicly available, updated regularly, and will include metrics regarding the level and rate of growth of total **spending**, provider-level spending and prices as well as APM coverage, prevalence of ACOs and other indicators of **payment** and **care delivery** reform. It will also include measures of waste, inefficiency, and quality.

HPC dashboard proposed approach

Draft objectives for creating an HPC dashboard

- Develop a concise set of measures to track Massachusetts health system **performance** across areas identified by HPC as priorities for ongoing attention and improvement
- Create **accountability** over the long term
  - Measure performance against targets and include in each annual Cost Trends Report to track progress
- Align measures with the areas of **focus** identified in previous Cost Trends Reports: benchmark and spending; efficient, high-quality care delivery; APMs; value-based markets; and transparency and data availability

Draft principles for measure inclusion

1. Measures that are linked to HPC's policy agenda and crucial to health system performance

2. Measures that have a valid, regular, and up-to-date data source

3. Measures that build upon previous and ongoing HPC research and analysis

Proposed improvement areas and examples of proposed measures

Proposed improvement area	Example measures
Benchmark and spending	• Performance relative to the benchmark and per capita spending growth (by payer type)
Efficient, high-quality care delivery	• All-payer hospital-wide readmission rate • ED utilization • Share of inpatient cases discharged to an institutional post-acute care setting
APMs	• APM coverage (overall; by payer type; HMO vs. PPO coverage)
Value-based markets	• Enrollment in tiered and limited network products and HDHPs
Transparency and data availability	• Measure related to HPC data goals, such as successful alignment of APM data collection

Notes: These are example measures and do not represent the final list of measures for each area.
To assess disparities, consider stratifying data for applicable measures by race, ethnicity, gender, age, income, and geography where possible.

Areas for discussion

- Reactions to proposed objectives, principles, and areas for improvement

- What are the circumstances under which HPC should set targets? How should such targets be developed?

Other priority areas for enhancing transparency and data availability

1. Data for providers to manage care and succeed in new models

   a. Data from own EHRs and own billing systems

   b. Comprehensive patient-level data from claims

   c. Real-time data on admissions, discharges, transfers, and other sentinel events

   d. Provider-level indicators of cost, utilization, quality, and activation/experience

      • For internal benchmarking and quality improvement

      • To make referrals and form strategic partnerships

2. Comparative data for purchasers to choose high-value products

3. Comparative data for patients to choose high-value providers

4. System-wide data to motivate, implement, and assess transformation

Primary care providers' requirements for payer reports

- **Total cost of care and utilization rates by patient, especially out-of-network utilization**
  - Each patient stratified by risk and/or cost
  - Ideal to include individual member risk score, calculated on an all payer basis (vs. payer specific risk score)
  - Breaks down by category of spend, e.g., office visits, hospitalizations, ED visits

- **Information on high utilizers** (e.g., characteristics of patients with multiple ED visits/hospitalizations by condition)

- **Prevalence of conditions across patient panel** (e.g. diagnostic groupings, chronic vs. acute)

- **Real time data for coordination of care** (e.g., ADT feeds)

- Most useful if
  - Timely (reports generated at least quarterly with data less than 6 months old)
  - Comprehensive (medical, pharmacy, behavioral health)
  - Actionable
- Need for streamlining and alignment across payers
- Must attend to privacy issues

HPC efforts around data availability and use

DATA NEEDS	CURRENT HPC ACTIVITIES	FUTURE PLANS
Data for providers to manage care and succeed in new models	• HPC (with Kennedy School students) is reviewing national best practices, local efforts, and potential recommendations • HPC offers TA in data use for CHART providers and plans to extend to Certification programs • CHART leadership summit provided individualized reports on utilization to participants and plans to continue	• HPC will explore opportunities to supply additional provider-level data • CHART includes pilot programs on ADT feeds • HPC research will review best practices re ADT feeds in other states and local efforts in MA
Comparative data for purchasers to choose high-value products		• HPC research will examine employers' information needs and potential recommendations.
Comparative data for patients to choose high-value providers		• HPC research will assess national best practices and local efforts re price transparency tools • HPC research will identify data priorities for consumers
System-wide data to motivate, implement, and assess transformation	• Working with CHIA and AGO to strengthen data collection • *See next slide*	

System-wide data update

Data needs	HPC activities
Coordinated and improved APM data collection	• AGO, CHIA, and HPC have agreed on enhancements related to identifying downside risk and segments within commercial population and will implement this year
Validated MassHealth data from the APCD	• CHIA has identified enrollment file as primary challenge and acquired enhanced file from MassHealth • CHIA has hired analytic staff with MassHealth experience
MBHP data in APCD	• CHIA plans to include 2014 data in 2015 release • CHIA and HPC to discuss including data from prior years
Discharge data that includes free-standing psychiatric hospitals	• CHIA and HPC to continue discussions
Quality measures	• CHIA to pursue standards for measure specification • HPC to pursue cross-payer alignment in measures used for APMs • CHIA and HPC to discuss BH measures

Analytic services procurement: Purpose and scope

Purpose: data analytic services and support for the HPC's analysis of trends in health care costs sourced from the state's all-payer claims database (APCD)

The HPC seeks services in five areas:

HPC Contract Awarded	A	Analysis and exhibits related to trends in spending and utilization and person-level analytic files for commercial payers and Medicare
Potential HPC Contract Awarded	B	Analysis and exhibits related to trends in quality and population health for commercial payers and Medicare
HPC will qualify one or more contractors in this area	C	Episode-level analysis and episode-level analytic files for commercial payers and Medicare
	D	Analysis of MassHealth data
	E	Ad hoc analysis

Analytic services procurement: Working timeline

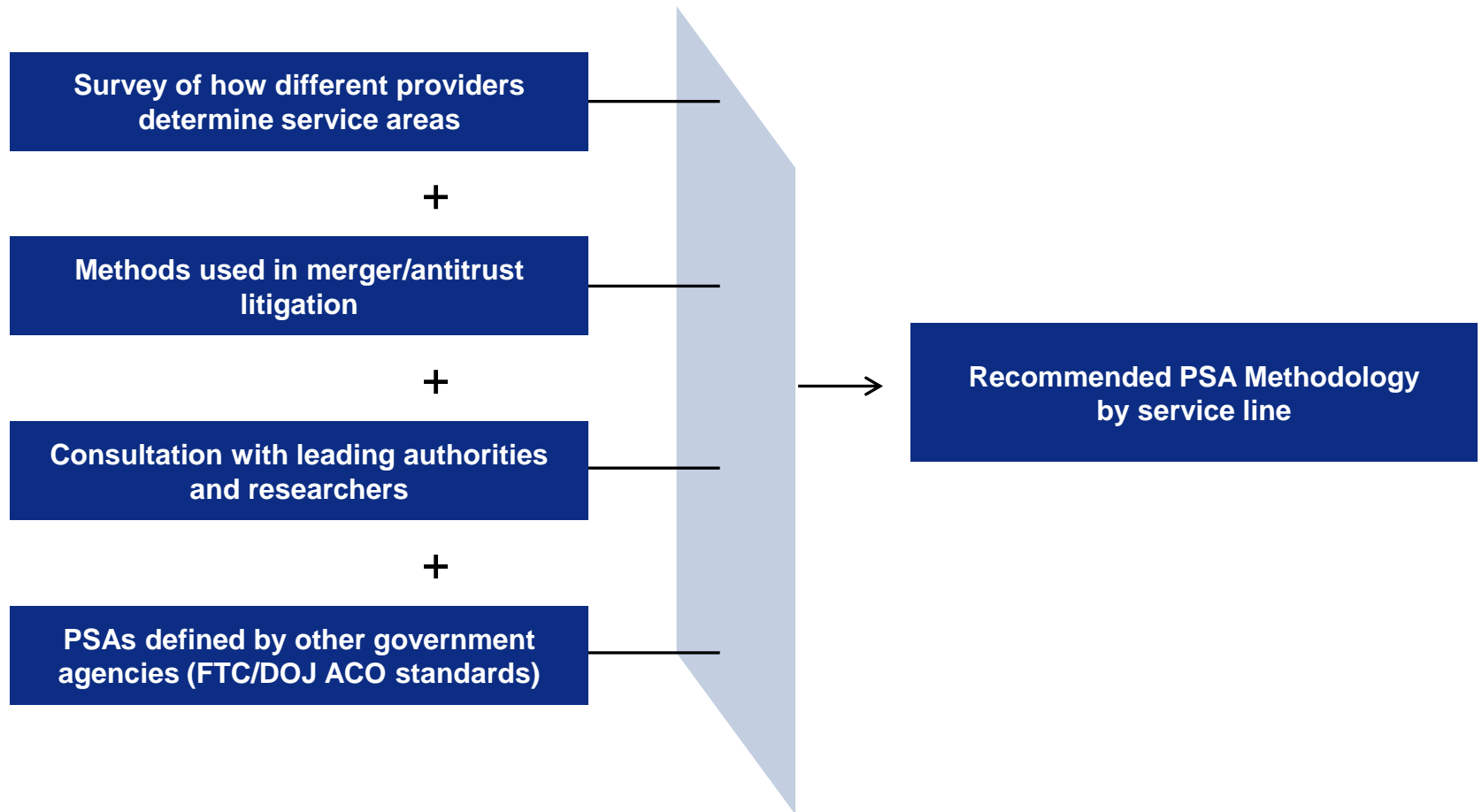| Activity	Mar					Apr			
	01	08	15	22	29	05	12	19	26
RFR posted	▲								
Questions received		▲							
Answers posted			▲						
Bids due					▲				
Staff review, bidder interviews, best and final offers						⬛⬛⬛			
Staff recommendation April Board Meeting									▲

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Review: Background and Purpose of Primary Service Areas (PSAs)

- The HPC is required to define Primary Service Areas (PSAs) through regulation.

- PSA is a metric by which the HPC may evaluate Material Change Notices, and serve as the geographic area in which cost, quality, and access factors are evaluated.

- Service areas are well-vetted and established in economic literature as important tools for evaluating market effects.

Review: Overall Process for Defining PSAs

Survey of how different providers determine service areas

+

Methods used in merger/antitrust litigation

+

Consultation with leading authorities and researchers

+

PSAs defined by other government agencies (FTC/DOJ ACO standards)

Recommended PSA Methodology by service line

Development Timeline for Primary Service Areas and Other Market Metrics

Inpatient Services → **Primary Care Services** → **Outpatient and Post-Acute Services**

Review: PSA Methodology for General Acute Care Hospitals

- Order zip codes based on drive time from the focal hospital.

- Starting with the closest zip codes, count the commercial discharges from each zip code until 75% of the hospital's commercial discharges are included.

- Correct for over-inclusion/under-inclusion to ensure that the PSA is a compact, contiguous area that represents an area for which the hospital is important (e.g., remove border zip codes where under 1% of the zip code's total discharges are from that hospital).

- In a full CMIR, make any necessary fact-specific adjustments to the PSA, and consider how the parties define their own primary service area.

Developing PSAs for Specialty Hospitals

Particular Considerations

1. Determining the appropriate services to examine for each specialty hospital and its nearby competitors (specialty hospitals do not provide the full range of general acute care services, but do compete with general acute care hospitals in specific service lines).

2. Analyzing out-of-state patients (specialty hospitals commonly treat a greater proportion of out-of-state patients than general acute care hospitals).

Approach to Modeling PSAs for Specialty Hospitals

Principles for an HPC PSA

- PSAs should be contiguous or nearly so.

- PSAs should primarily comprise zip codes that send a nontrivial fraction of their patients to the focal hospital for the hospital's specialized services.

- PSAs should account for a consistent, significant proportion of the focal hospital's patients (75%).

HPC Approach and Results

- Modeled multiple approaches reflecting these principles, such as including out-of-state patients.

- Found that small modifications to the HPC general acute care hospital methodology yield coherent results for specialty hospitals that provide a significant proportion of inpatient care.

Next Steps for Specialty Hospital Market Metrics

- Analyze discharge data from nearby states that utilize specialty hospitals in MA.

- Compare specialty hospitals in MA to similar hospitals in other states.

- Explore methods for analyzing outpatient visits for specialty hospitals that provide primarily outpatient services.

Developing PSAs for Primary Care

Particular Considerations
1. Identifying providers who specialize in "primary care."
2. Capturing non-physician providers (NPs, PAs, etc.).
3. Mapping providers with more than one practice location.
4. Identifying robust, statewide data sources.

Approach to Modeling PSAs for Primary Care

Principles for Primary Care PSAs

- Because provider groups may include multiple primary care practice locations, Primary Care PSAs may not be contiguous.

- Primary Care PSAs should primarily comprise zip codes that send a nontrivial fraction of their patients to the provider group.

- Primary Care PSAs should account for a consistent, significant proportion of the provider group's primary care patients (e.g., 75% by revenue).

- Primary Care PSAs should take into account nearby hospitals where the provider group refers its primary care patients.

HPC Approach and Expected Results

- Modeling multiple approaches reflecting these principles.

- Modeling across different types of provider groups (e.g., urban, rural, large, small).

- Working toward a proposed methodology that yields coherent results across different provider group types.

Next Steps for Primary Care Market Metrics

- Continue modeling primary care PSAs for provider groups ranging widely in size and geography.

- Analyze primary care market shares and concentration by service area.

- Repeat above steps for pediatric primary care.

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Determination of Need Program and Essential Services Review

Determination of Need (DoN) applications:

- Providers must file a DoN application with DPH when they make substantial changes in services, substantial capital expenditures, or other specific operational changes.

- When a provider sends a DoN application or supporting documentation to DPH, Ch. 224 requires the provider to send a copy to the HPC. The HPC has authority to review and comment upon any application or supporting documentation.

Essential Services (ES) review process:

- Hospitals which intend to close or to substantially eliminate any service must file a notice with DPH at least 90 days before the closure. If DPH determines the service is necessary to the community, it evaluates the implications of the closure and works with the hospital to develop a transition plan.

- In December the HPC sent a letter to the Essential Services Task Force expressing its interest in reviewing and commenting on Essential Services filings.

Developing a Structure for HPC Input on DoN and ES Filings

The HPC intends to develop a structure for comments that <u>complements</u> DPH processes rather than duplicating or displacing them.

Developing this structure will involve:

1. Continued collaboration with DPH on an ongoing basis to improve information sharing and ensure robust reviews of all provider changes.

2. Collaboratively identifying those situations in which comments by the HPC would be most valuable.

3. Advancing analytical tools which would inform comments, particularly tools to assess the cost, quality, and access impacts of changes in outpatient and clinic-based services.

4. Ensuring that any comments are developed on a timeline that allows for robust analysis and discussion while remaining timely for consideration by DPH.

Potential Factors for Initiating a Comment to DPH

- **Examples of potential factors of interest in examining a DoN application:**

  - Would the project result in a significant increase in total medical spending?

  - Would the project impact an underserved population or service line of interest?

  - Would the project increase the applicant's market share, particularly in high-margin service lines?

  - Does the application or supporting materials run counter to prior commitments made by the applicant in the course of prior HPC reviews?

- **Examples of potential factors of interest in examining an ES filing:**

  - Would the closure result in a significant impact on access to services due to travel barriers, limited capacity of other providers, or other factors?

  - Would the closure impact an underserved population or service line of interest?

  - Is the closing entity or service relatively low-cost compared to remaining alternatives?

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Contact Information

For more information about the Health Policy Commission:

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