Administration and Finance Committee Meeting

January 31, 2018

History of HPC Transfers and Contributions – Over $50M Diverted From HPC Programs and Trust Funds

Fiscal Year	Intended Purpose	Amount	Status
2015	To enhance behavioral health integration at HPC certified primary care practices for the purposes of improving access and reducing costs	$2,000,000	Appropriation fully eliminated in a 9C cut.
2015	To invest in innovative projects through the HPC's Health Care Innovation Investment Program (HCII)	$12,300,000	Transferred from the PRTF to MassHealth to fund enhanced provider reimbursement rates
2015	To invest in innovative projects through the HPC's HCII program	$10,000,000	Transferred from the PRTF to the General Fund to address the FY15 budget shortfall
2016	To invest in innovative projects through the HPC's HCII program	$500,000	Transferred from the PRTF to the General Fund to address the FY16 budget shortfall
2016	To invest in hospitals and their partners to implement a pilot paramedicine program for enhanced behavioral health care services with an aim of reducing avoidable ED utilization (FY16 Legislative Initiative)	$250,000	Appropriation reduced by $250K in a 9C cuts. Remaining amount ($250K) was transferred to DPH through an ISA
2017	To invest in community hospitals and their partners to implement cost-reducing care delivery programs and prepare for the MassHealth ACO program through HPC's CHART program	$23,500,000	Transferred from the DHTF to the General Fund to address the FY17 budget shortfall
2017	To support the general programs and operations of the HPC	$1,670,742	Appropriation reversion to the General Fund
TOTAL CONTRIBUTIONS		**$50,200,742**	

HPC

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- **Fiscal Year 2017 Summary**

- Fiscal Year 2018 Mid-Year Review

- Fiscal Year 2019 Preview

FY17 Background

First Year of Annual Assessment
- Mandated by Chapter 224 and implemented through regulation (958 CMR 9.00)
- Supports HPC operations
- Amount is set by line-item in the state budget

HPC Funding Sources for FY2017

Line-Item Appropriation ①
- Board-approved budget: **$8,479,800**
- Main use: Operations
- Note: Level-funding to the FY16 Board-approved budget
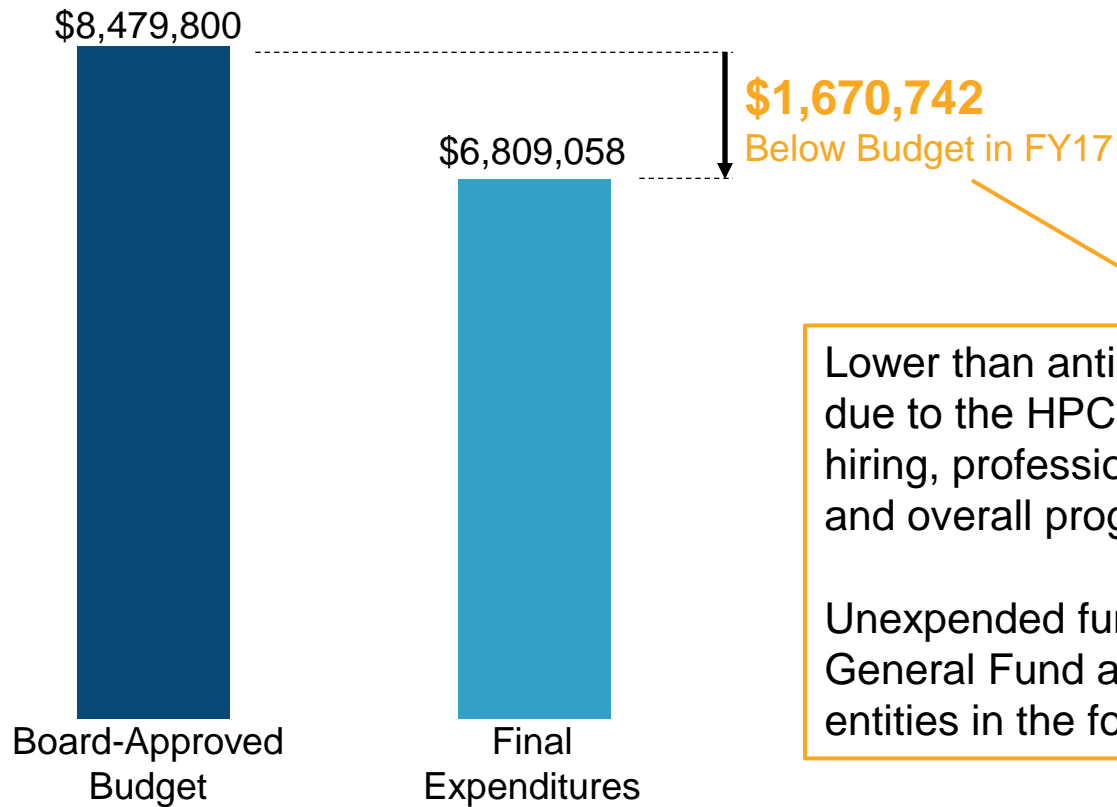
Health Care Payment Reform Trust Fund ②
- Board-approved budget: **$1,000,000**
- Main use: Investment and direct technical assistance for investments and certification

Distressed Hospital Trust Fund ③
- Board-approved budget: **$3,795,764**
- Main use: CHART administration and technical assistance

HPC

FY17 Operating Appropriation: Closeout

$8,479,800
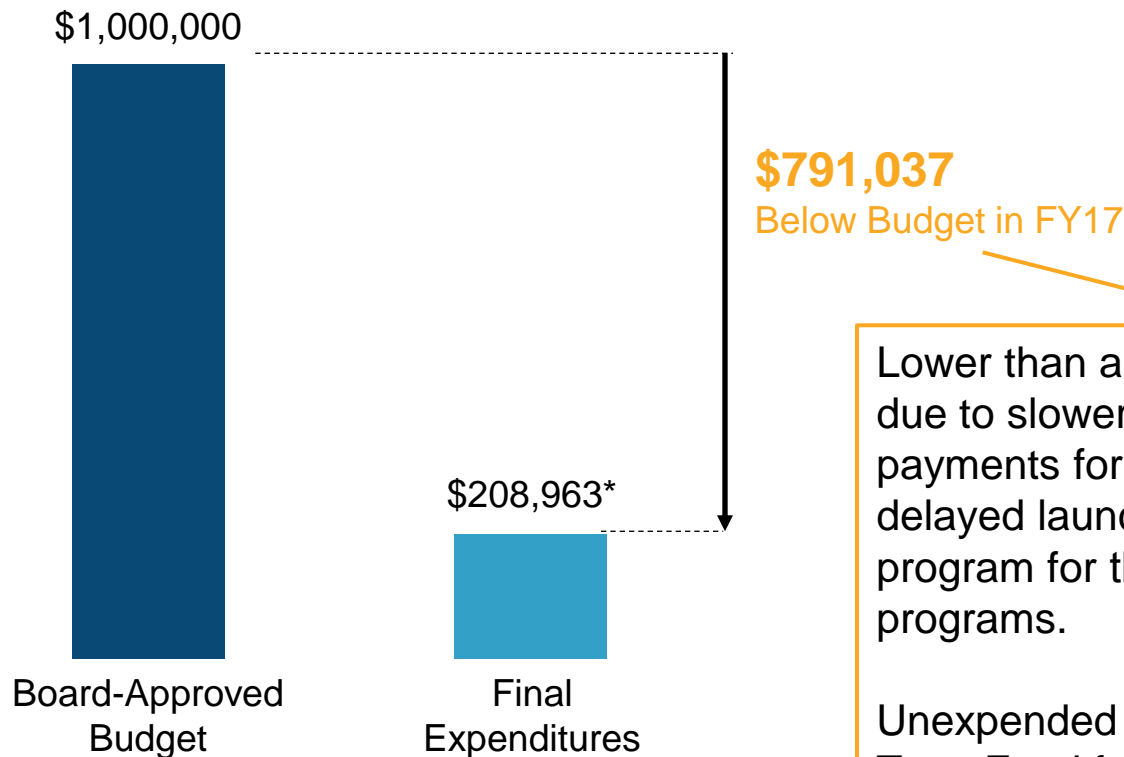
$6,809,058

$1,670,742
Below Budget in FY17

Lower than anticipated spending primarily due to the HPC's deliberative approach to hiring, professional services contracting, and overall program development.

Unexpended funds are deposited in the General Fund and credited to assessed entities in the following fiscal year.

Board-Approved Budget

Final Expenditures

FY17 Health Care Payment Reform Trust Fund (PRTF): Closeout

At the end of FY17, the balance of the PRTF was $14.3 million.

$1,000,000

$791,037
Below Budget in FY17
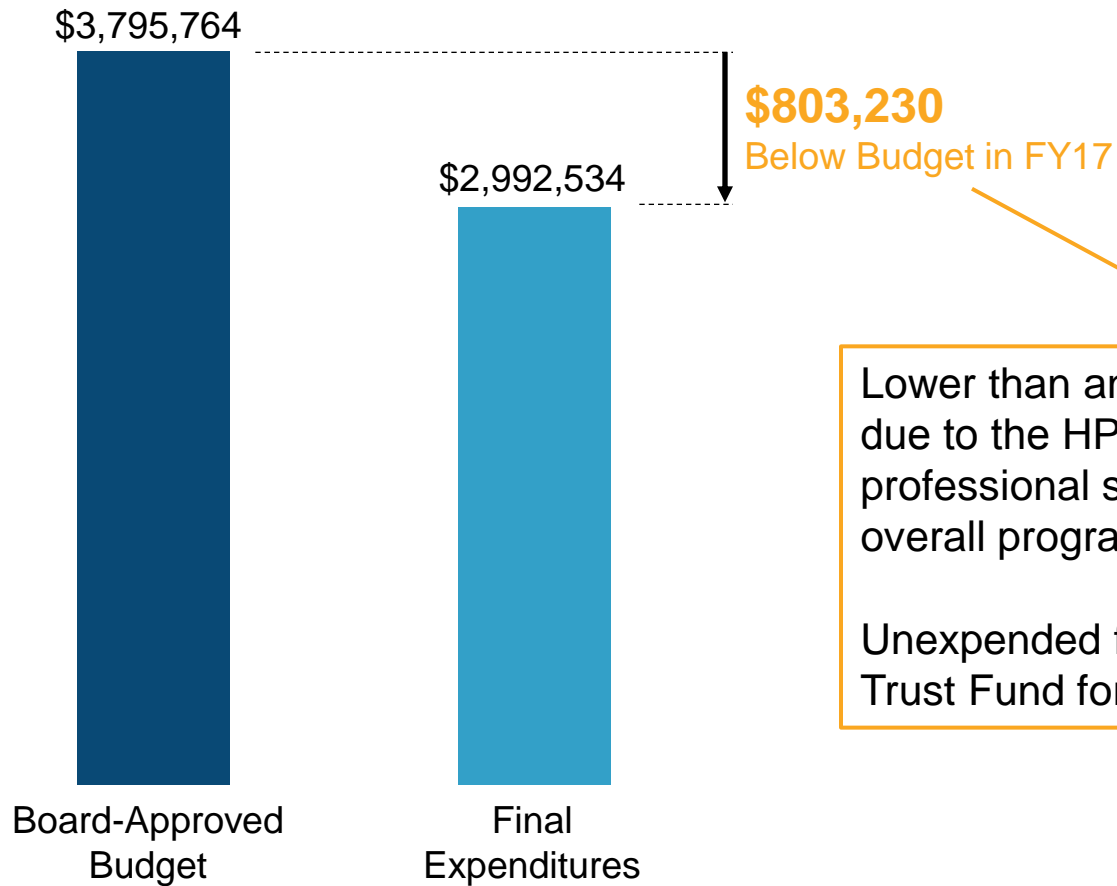
$208,963*

Board-Approved
Budget

Final
Expenditures

Lower than anticipated spending primarily due to slower than anticipated investment payments for the HCII Program and delayed launch of a technical assistance program for the HPC's certification programs.

Unexpended funds are retained in the Trust Fund for future expenditure.

*This figure does not include dollars spent through the Robert Wood Johnson Foundation Grant to the HPC or expenditures related to the Office of Patient Protection.

HPC

FY17 Distressed Hospital Trust Fund (DHTF): Closeout

At the end of FY17, the balance of the DHTF was $33.5 million.

$3,795,764

$2,992,534

$803,230
Below Budget in FY17

Lower than anticipated spending primarily due to the HPC's deliberative approach to professional services contracting and overall program development.

Unexpended funds are retained in the Trust Fund for future expenditure.
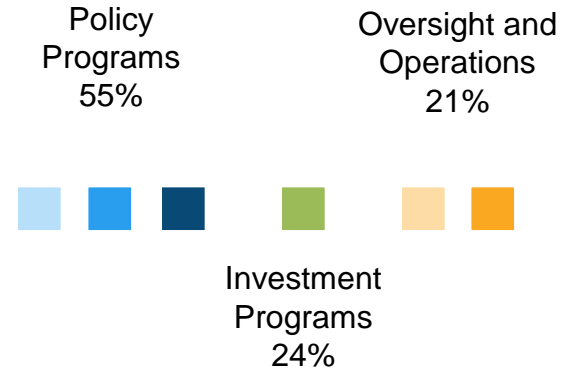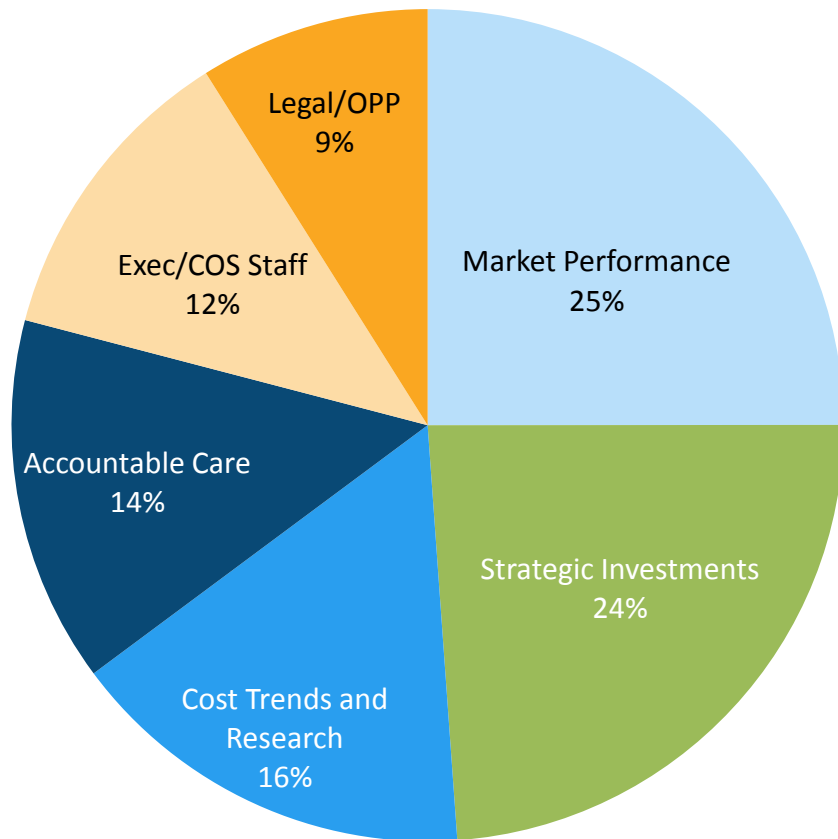
Board-Approved Budget

Final Expenditures

AGENDA

- Fiscal Year 2017 Summary
- **Fiscal Year 2018 Mid-Year Review**
- Fiscal Year 2019 Preview

Budget Overview: Summary of FY18 Board Approved Budget

Source of Funds	**1** Line Item	**2** Distressed Hospital Trust Fund	**3** Payment Reform Trust Fund
Approved Budget	$8,479,800	$3,092,994	$1,000,000
Use	General operating expenses	Operating expenses related to DHTF-supported grant programs	Direct technical assistance and investments (no payroll)
Summary	**Level-funding** to the FY17 Board-approved budget	**23% reduction** to the FY17 Board-approved budget	**Level-funding** to the FY17 Board-approved budget

HPC

FY18 Overview: Total Proposed Spending/FTE by Category

Pie chart — Total Proposed Spending by Category:
- Market Performance 25%
- Strategic Investments 24%
- Cost Trends and Research 16%
- Accountable Care 14%
- Exec/COS Staff 12%
- Legal/OPP 9%

Legend groupings:
- Policy Programs 55%
- Oversight and Operations 21%
- Investment Programs 24%

FTE by Department, Jan 1, 2018

Department	FTE
Office of the Chief of Staff/EXEC	10.9
Office of the General Counsel/OPP	8.7
Accountable Care	6.8
Cost Trends and Research	7.9
Market Performance	9
Strategic Investment	13.7
Total FTE	57

HPC

State Fiscal Year 2018 Budget

Line-Items
1450-1200: *For the operation of the Health Policy Commission*... $8,479,800

Outside Sections

HPC Study of Rx Dispensing Practices

SECTION 130.   The health policy commission, in consultation with the department of public health and the division of insurance, shall study and analyze health insurance payer practices that require certain categories of drugs, including those that are administered by injection or infusion, to be dispensed by a third-party specialty pharmacy directly to a patient or to a health care provider with the designation that such drugs shall be used for a specific patient and not for the general use of the provider. The commission shall submit a report of its findings and recommendations, together with drafts of legislation necessary to carry those recommendations into effect, by filing the same with the house and senate committees on ways and means, the joint committee on health care financing and the joint committee on public health not later than July 1, 2018.

FY18 Variance Tracking

Notable Variances at Mid-Year

- Salary and Benefits 🟢
  - At mid-year, salary spending is meeting initial projections. Remaining open positions with are expected to be filled by Q4, with full staffing by beginning of FY19.

- Professional Services 🔻
  - At mid-year, professional services spending is slightly below initial projections. However, many anticipated workstreams in Q3 and Q4 will rely heavily on expert consultant support, including cost and market impact reviews.

- Other major categories are tracking to the Board-approved budget. Any "surplus" will be credited to the annual assessment in FY19 or will remain in the appropriate Trust Fund.

HPC

FY2018 Annual Assessment

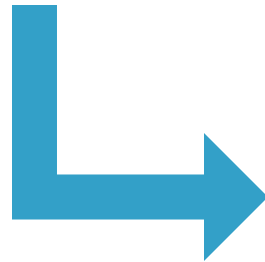|	
+ $ 8,479,800	HPC Operating Budget
+ $ 1,618,912	Fringe Benefits Assessed by the Commonwealth
$10,098,712	**Total Operating Budget for the HPC**
- $1,670,742	HPC FY2017 Reversion to the General Fund
- $ 100,260	Adjustments to Annual Assessment*
$ 8,327,710	**Total Amount Assessed by the HPC in FY2018**

Total Assessment by Type

50% Health Plans
49% Hospitals
01% Ambulatory Surgical Centers

*Note: Assessment was adjusted in FY18 to account for the change in the rate of fringe benefits and the customers being assessed.

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FY18 Interagency Service Agreements (ISAs)

		Interagency Service Agreements (FY18)		
Agency	Funds Flow	Purpose	FY18 Amount	End Date
DPH	HPC to DPH	Implementation and management of HPC's Neonatal Abstinence Syndrome (NAS) investment initiative	$400,000	6/30/2019
CHIA	HPC to CHIA	HPC's contribution to joint HPC/CHIA data analysis of hospital efficiency	$75,000	6/30/2018
CHIA	Non-Financial	Outlines the roles and responsibilities of HPC and CHIA related to the RPO program	Non-Financial	6/30/2018
EOHHS	HPC to EOHHS	HPC's financial contribution towards CHIA's purchase of the 2016 Patient Experience Survey dataset from MHQP	$290,000	6/30/2019
EOHHS	HPC to EOHHS	HPC's financial contribution toward EOHHS' quality measurement alignment Task Force, supporting an expert facilitator	$75,000	6/30/2018

HPC

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HPC Line-Item: FY19 Budget Proposals

For FY19, the Governor's Budget recommended a 0.72% increase for the HPC's operating account. The state budget is to be finalized by July 1, 2018.

State Budget Process

Governor's FY19 Budget Proposal
1450-1200: *For the operation of the Health Policy Commission*... $8,540,451

House FY19 Budget Proposal
1450-1200: *For the operation of the Health Policy Commission*... Finalized April 2018
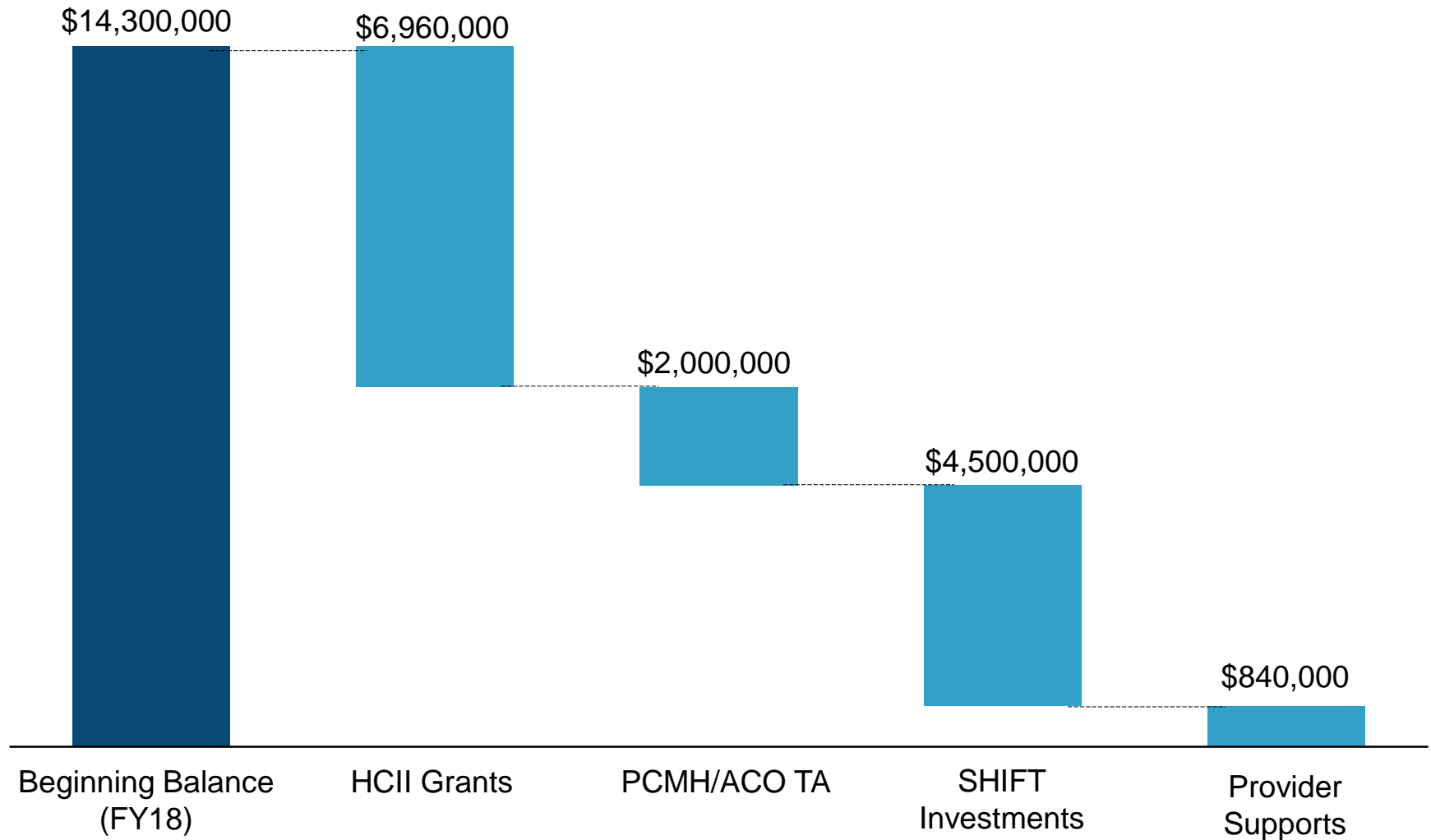
Senate FY19 Budget Proposal
1450-1200: *For the operation of the Health Policy Commission*... Finalized May 2018

Final State Budget
1450-1200: *For the operation of the Health Policy Commission*... Finalized July 2018

HPC

FY18-FY20 Projected Spend Down: Health Care Payment Reform Trust Fund

$14,300,000	$6,960,000	$2,000,000	$4,500,000	$840,000
Beginning Balance (FY18)	HCII Grants	PCMH/ACO TA	SHIFT Investments	Provider Supports

HPC

17

FY18-FY20 Projected Spend Down: Distressed Hospital Trust Fund

$23,500,000

$33,500,000

$20,000,000

CHART Investments

$3,441,000

HCII Grants

$5,500,000

SHIFT Investments

$2,000,000

TA/Eval

$2,560,000

Operating Costs

Beginning Balance (FY18)

HPC