MASSACHUSETTS
HEALTH POLICY COMMISSION

Health Policy Commission
Board Meeting

September 27, 2016

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- Report from the Chair
- Cost Trends and Market Performance
- Schedule of Next Meeting

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- **Approval of Minutes from the September 7, 2016 Meeting**
- Report from the Chair
- Cost Trends and Market Performance
- Schedule of Next Meeting

MASSACHUSETTS
HEALTH POLICY COMMISSION

VOTE: Approving Minutes

MOTION: That the Commission hereby approves the minutes of the Commission meeting held on September 7, 2016, as presented.

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- **Report from the Chair**
  - Committee Membership (VOTE)
- Cost Trends and Market Performance
- Schedule of Next Meeting

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- Report from the Chair
  - **Committee Membership (VOTE)**
- Cost Trends and Market Performance
- Report from the Executive Director
- Schedule of Next Meeting

MASSACHUSETTS
HEALTH POLICY COMMISSION

Vote: Committee Membership

Motion: That pursuant to section 4.1 of the By-Laws, the Commission hereby approves the appointment of Commissioner Everett, Vice Chair, to the Committee on Administration and Finance.

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- Report from the Chair
- Cost Trends and Market Performance
  - **Notices of Material Change**
  - Recommendations for Performance Improvement Plans
  - Determination of Need Submission (VOTE)
  - 2016 Cost Trends Hearing
  - Gobeille Update from the Center for Health Information and Analysis
- Schedule of Next Meeting

Types of Transactions Noticed

April 2013 to Present

Type of Transaction	Number of Transactions	Frequency
Clinical affiliation	16	24%
Physician group merger, acquisition or network affiliation	16	24%
Acute hospital merger, acquisition or network affiliation	14	21%
Formation of a contracting entity	9	14%
Merger, acquisition or network affiliation of other provider type (e.g., post-acute)	6	9%
Change in ownership or merger of corporately affiliated entities	4	6%
Affiliation between a provider and a carrier	1	2%

Update on Notices of Material Change

Notices Received Since Last Commission Meeting

- Proposed acquisition of **Wentworth-Douglass Health System** (WDHS) by **Partners HealthCare System** (Partners). WDHS serves the Seacoast Region of New Hampshire and adjacent communities in Maine and includes an acute care hospital, Wentworth-Douglass Hospital, and Wentworth-Douglass Physician Corporation, which employs physicians and other health professionals.

Elected Not to Proceed

- Proposed acquisition of **Hallmark Health System** (Hallmark), which consists of two hospital campuses, Lawrence Memorial Hospital and Melrose-Wakefield Hospital, satellite facilities, and an owned physician group, by **Wellforce**, which principally consists of Lowell General Hospital, Tufts Medical Center, New England Quality Care Alliance (NEQCA), and Lowell General PHO.

- Proposed contracting affiliation between **Hallmark Health PHO**, which is partially owned by Hallmark and contracts on behalf of Hallmark's two owned hospital campuses and approximately 400 physicians, and **NEQCA**, which currently contracts on behalf of Tufts Medical Center and approximately 1,800 community and academic physicians.

Update on Notices of Material Change

HPC findings regarding the two Hallmark transactions

Market

- The transactions are anticipated to decrease hospital market concentration in Hallmark's and Tufts Medical Center's primary service areas.

Cost

- The Hallmark hospital and physicians would be leaving a relatively high priced network (Partners) and joining a lower priced network (NECQA). The HPC therefore does not find evidence for substantial increases in Hallmark's prices.
- Hallmark's new clinical relationship with Tufts Medical Center may shift volume away from more expensive downtown AMCs through increased referrals to lower-priced Tufts. The HPC finds that these volume shifts have the potential to reduce costs.
- Wellforce will support expansion of service lines at Hallmark (e.g., electrophysiology) that may allow for increased patient retention at the Hallmark hospital campuses and therefore reduce volume at more expensive downtown AMCs. The HPC finds that these volume shifts have the potential to reduce costs.

Quality and Access

- The parties have committed to maintaining and enhancing healthcare services in the community, including behavioral health. The HPC finds that the transactions are unlikely to negatively impact access or quality of care.

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- Report from the Chair
- Cost Trends and Market Performance
  - Notices of Material Change
  - **Recommendations for Performance Improvement Plans**
  - Determination of Need Submission (VOTE)
  - 2016 Cost Trends Hearing
  - Gobeille Update from the Center for Health Information and Analysis
- Schedule of Next Meeting

Standard and Factors for Review

Standard

The HPC may require a PIP where, based on a review of factors described below,
1) the HPC identifies significant concerns about the entity's costs and
2) determines that a PIP could result in meaningful, cost-saving reforms.

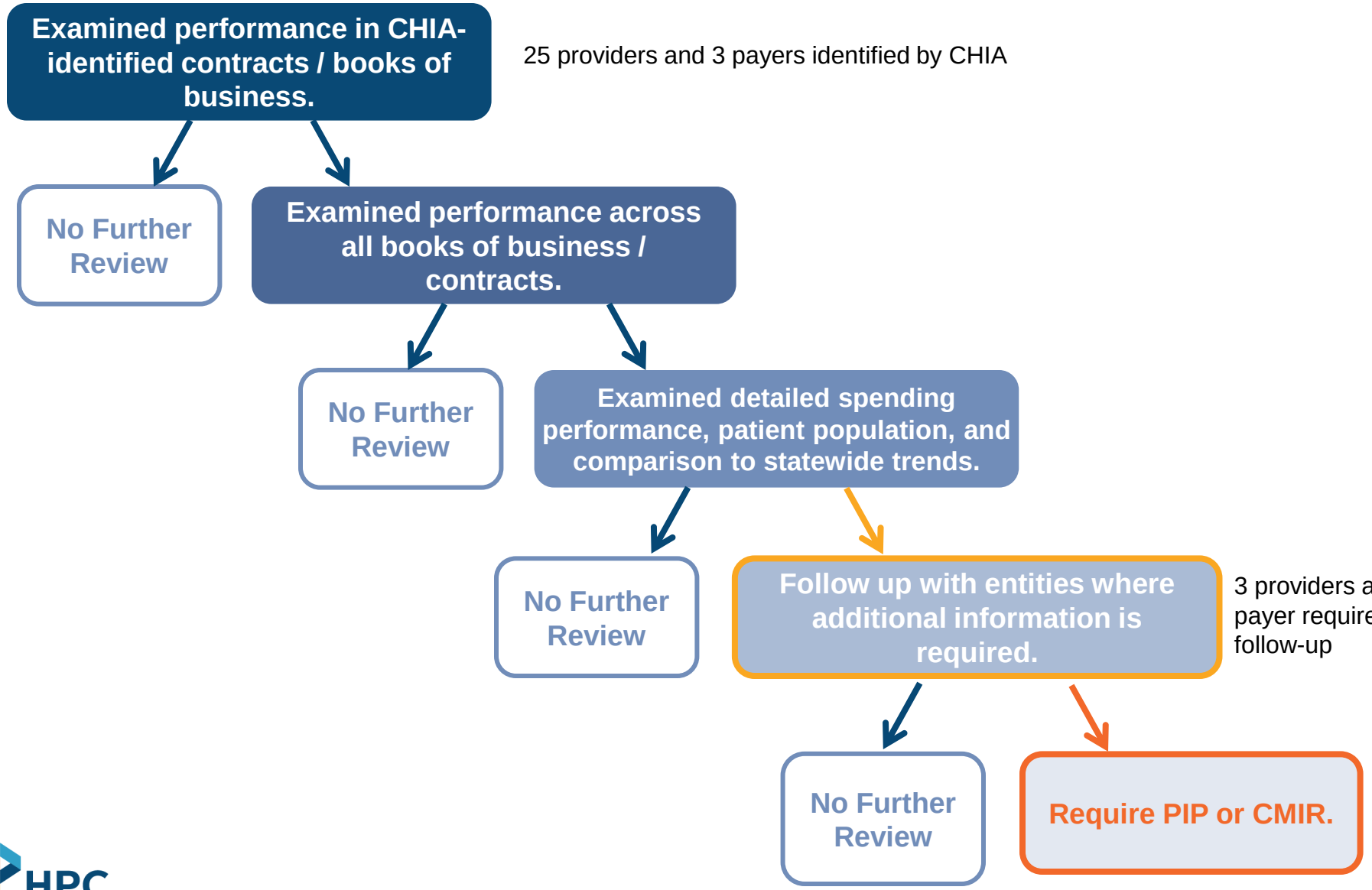
Factors for Review

Including, but are not limited to:

- Baseline spending and spending trends over time, including by service category;
- Pricing patterns and trends over time;
- Utilization patterns and trends over time;
- Population(s) served, product lines, and services provided;
- Size and market share;
- Financial condition, including administrative spending;
- Ongoing strategies or investments to improve efficiency or reduce spending growth over time; and
- Factors leading to increased costs that are outside the Health Care Entity's control.

While the same factors will be evaluated for both payers and providers, some of the underlying metrics examined may be unique to one or the other.

Overview of HPC's 2016 Initial Review Process



Overview of the HPC's 2016 Follow-up Process

1 Pre-Meeting

- Performed comprehensive review of the TME and other publicly available data for the entity
- Identified notable patterns or factors for the entity (e.g., inpatient, pharmacy, risk scores, etc.)
- Prepared specific follow-up questions for the entity

2 Meet with Entity

- Reviewed the entity's TME data and any specific spending patterns
- Discussed the HPC's specific questions
- Invited the entity to provide insight into other factors that might have impacted its spending that were not readily apparent or adequately captured in its data
- Asked the entity to describe its current activities and initiatives to control costs and improve efficiency

3 Post-Meeting

- Requested submission of key metrics or data to substantiate claims made in the meeting and better understand cost drivers
- Reviewed these submissions along with the newly available final 2014 TME data
- Finalized recommendations

Example Follow-up Questions

1. What principal factors do you believe contributed to your spending growth?
2. How might contracted rates changes between 2012 and 2014 have affected your spending performance?
3. How do you encourage your providers to make high-value decisions and limit their spending growth?
4. The TME data indicate that the primary categories driving growth for your organization were [e.g., Inpatient, Professional, Pharmacy, etc.]. Can you discuss any factors, whether internal or external, that may have specifically driven increases in these categories?
5. Have you taken any steps to decrease your spending growth in the last two years? Do you have any early results that you can share with us?

Key Themes Reported by the Entities in Follow-up Meetings and Materials

Preliminary Data

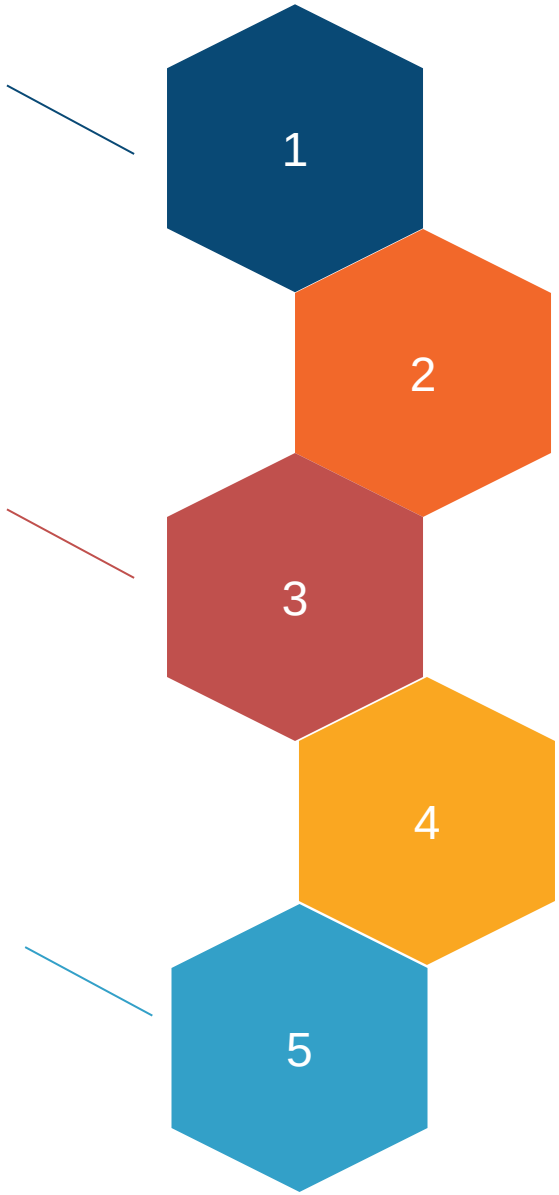
The CHIA list was generated using final data from 2012 and 2013, and preliminary data from 2014. Entities cautioned against relying on preliminary data.

Risk Scores

Some entities expressed concern about the accuracy of their risk scores.

Contract Performance Data

Providers discussed the challenges of monitoring and improving performance without real time data on their population



Pharmacy

Entities pointed to growing pharmaceutical costs as a significant driver of spending that was largely outside their control.

Plans in Place

Entities are actively working to control their spending and have initiated activities in several domains.

Considerations & Recommendations

- The four identified entities have met with the HPC and provided requested information.
- The HPC has reviewed the information submitted and has no further questions for two of the four entities at this time.
- These two entities have identified their cost drivers and are implementing activities to control costs and increase efficiency.
- CHIA will provide a new list that includes final 2014 data this fall.
- With additional data, the HPC will continue to assess performance over time for these four entities.

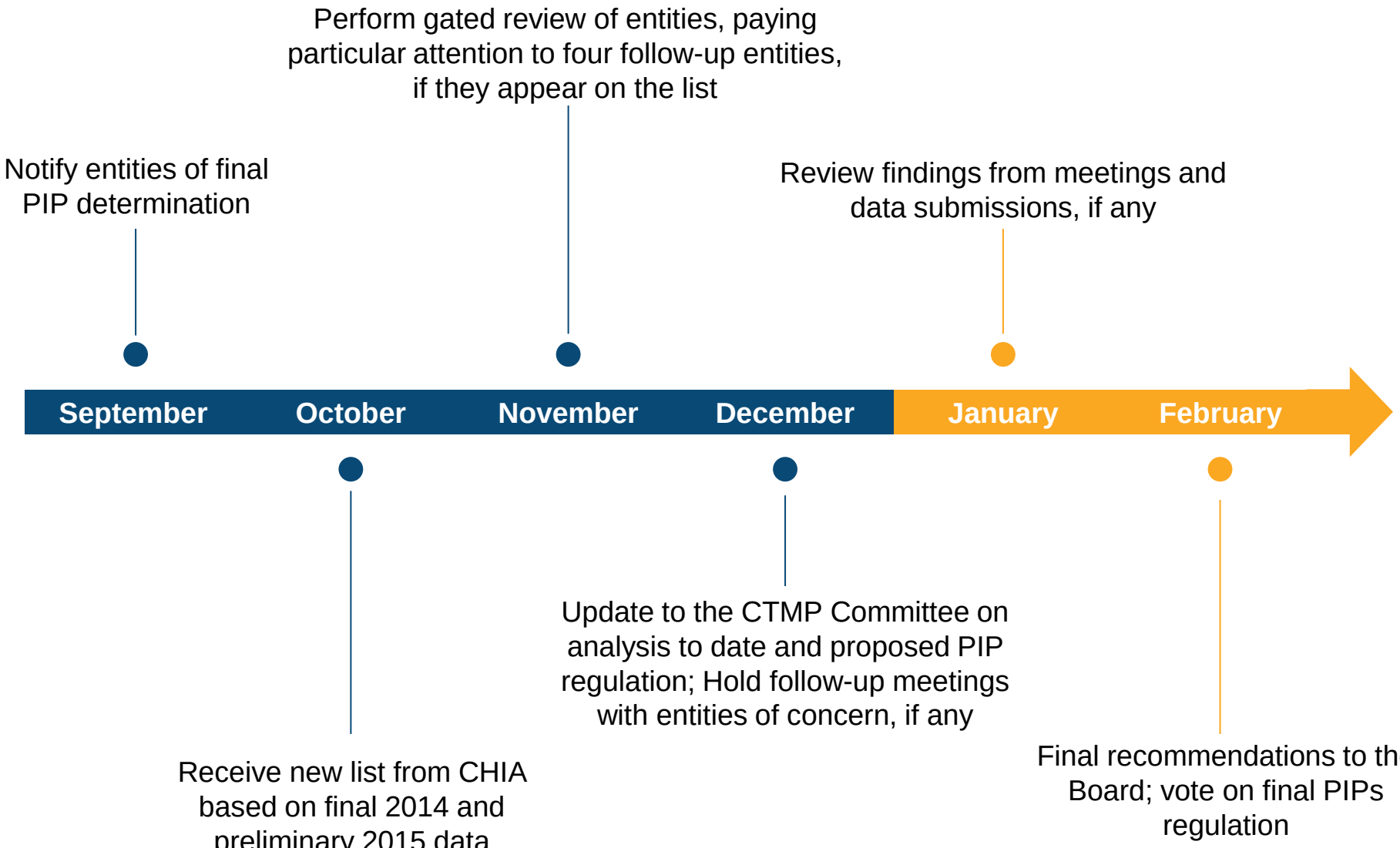
Staff recommend **against** a Performance Improvement Plan for two entities and is completing its review for the two remaining entities.

Future Monitoring of Concerning Entities

Future Monitoring

- Entities appearing again on CHIA's list will receive particular attention.
- Consistently high year-over-year cost growth, as indicated by final HSA TME numbers, will be particularly concerning, especially when occurring in large member-month contracts.
- Entities consistently appearing on CHIA's list will be required to demonstrate a strong commitment to cost control in order to avoid a Performance Improvement Plan.

Next Steps



All dates are approximate

MASSACHUSETTS
HEALTH POLICY COMMISSION

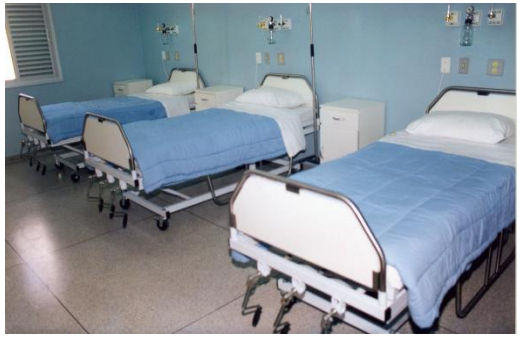
AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- Report from the Chair
- Cost Trends and Market Performance
  - Notices of Material Change
  - Recommendations for Performance Improvement Plans
  - **Determination of Need Submission (VOTE)**
  - 2016 Cost Trends Hearing
  - Gobeille Update from the Center for Health Information and Analysis
- Schedule of Next Meeting

Background on Boston Children's Hospital

Boston Children's Hospital

Until every child is well℠



Largest pediatric medical center in Massachusetts and one of the largest in the nation

404 inpatient beds and 800+ specialists across 41 specialties

Inpatient and outpatient facilities all around the Greater Boston area

Largest pediatric research center in the United States

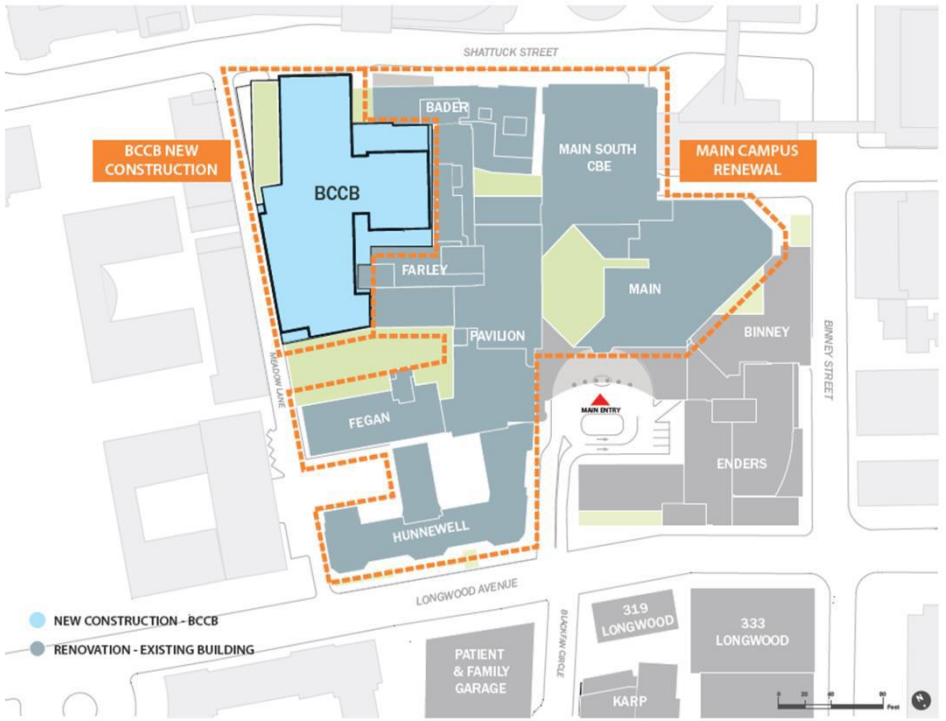
HPC

Overview of Children's Hospital Determination of Need application to expand and renovate campuses in Boston and Brookline

- Construction of a new 11-story tower adjacent to main Longwood campus and an ambulatory facility in Brookline, and renovation of existing facilities

- 71 new inpatient pediatric beds, 4 ORs, and 2 MRIs
  - 61 new pediatric ICU beds
  - 6 new NICU beds
  - 4 new psych beds
  - Conversion of all double-bedded rooms to single-bedded
  - Expansion of ambulatory care capacity

- Total cost: $1.068 billion



Source: Boston Children's Hospital Determination of Need application

Key results of HPC analyses: Children's is likely to gain additional Massachusetts volume as a result of the proposed expansion

- The HPC concludes that it unlikely that all new inpatient capacity will be filled by non-Massachusetts residents based on:
  - Information in the DoN application and ICA;
  - Children's current activities in the market; and
  - Children's historic trends.
- The HPC also anticipates that a proportion of new outpatient volume would come from Massachusetts patients.

- The HPC modeled eight different potential trend lines for patient origin based on six years of discharge data, applying logarithmic and exponential best fit models to calculate a 10-year trend.
- Assuming exponential growth in out-of-state patients, we project that the expansion would bring Children's at least 1,256 new commercial discharges annually from Massachusetts patients.
- If Children's maintains its current mix of Massachusetts patients, we project that Children's would receive as many as 2,650 additional Massachusetts commercial discharges a year.

Key results of HPC analyses: Shifts in volume to Children's would increase spending

- Children's has among the highest commercial and Medicaid MCO prices in the state for hospital care, thus any shift of volume to Children's from other Massachusetts providers is likely to increase spending.
- Using econometric (diversion) modeling and adjusting for severity, we estimate that the potential spending impact for shifts in Massachusetts inpatient volume would be $8.5 million to $18 million annually.
- Children's also expects additional outpatient volume as a result of the expansion (though it is unclear what share of these patients would be from Massachusetts).
- Each 1% increase in outpatient volume from commercially-insured, Massachusetts patients is estimated to have a spending impact of $850,000 annually.

MASSACHUSETTS
HEALTH POLICY COMMISSION

Vote: Determination of Need Submission

Motion: That the Commission hereby authorizes the issuance of the attached comments to be made to the Department of Public Health regarding the Determination of Need Application submitted by Boston Children's Hospital.

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- Report from the Chair
- Cost Trends and Market Performance
  - Notices of Material Change
  - Recommendations for Performance Improvement Plans
  - Determination of Need Submission (VOTE)
  - **2016 Cost Trends Hearing**
  - Gobeille Update from the Center for Health Information and Analysis
- Schedule of Next Meeting

SAVE THE DATE

2016 HEALTH CARE COST TRENDS HEARING

October 17 and 18, 2016
Suffolk University Law School
120 Tremont Street

2016 Cost Trends Hearing Update

October 17

Opening Remarks Dr. Stuart Altman, Chair, Health Policy Commission Ms. Renee Landers, Director of the Health Law Concentration, Suffolk University Law School The Honorable Suzanne Bump, Auditor The Honorable Jeffrey Sánchez, House Chair, Joint Committee on Health Care Financing	9:00AM
Keynote Remarks Governor Charlie Baker	9:30AM
Presentation Mr. Ray Campbell, Executive Director, Center for Health Information and Analysis Dr. David Auerbach, Director, Research and Cost Trends, Health Policy Commission	9:50AM
National Perspectives Dr. Robert Berenson, Institute Fellow, The Urban Institute	10:15AM
Witness Panel: Meeting the Health Care Cost Growth Benchmark	11:00AM
Reactor Panel: Employers Perspective	12:30PM
Lunch Break	1:15PM
Witness Panel: The Evolving Provider Market	2:00PM
Public Testimony	3:30PM

HPC

2016 Cost Trends Hearing Update

October 18

Opening Remarks Dr. Stuart Altman, Chair, Health Policy Commission The Honorable Stanley Rosenberg, Senate President	9:00AM
Keynote Remarks Attorney General Maura Healey	9:30AM
Presentation Staff, Office of the Attorney General	9:50AM
National Perspectives Ms. Lauren Taylor, Harvard Business School, Health Policy and Management	10:20AM
Witness Panel: Strategies to Address Social and Behavioral Health Needs	11:00AM
Reactor Panel: Consumers Perspective	12:30PM
Lunch Break	1:15PM
Witness Panel: Strategies to Address Pharmaceutical Growth	2:00PM
Public Testimony	3:30PM

HPC

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- Report from the Chair
- Cost Trends and Market Performance
  - Notices of Material Change
  - Recommendations for Performance Improvement Plans
  - Determination of Need Submission (VOTE)
  - 2016 Cost Trends Hearing
  - **Gobeille Update from the Center for Health Information and Analysis**
- Schedule of Next Meeting

Gobeille Decision and its Effects

- On March 1, 2016 the Supreme Court held that ERISA preempts Vermont's statute requiring self-insured plans to submit data to the Vermont's All Payer Claims Data Base (APCD)
- Of CHIA's 15 "key accounts," 9 have since removed all self-insured data – resulting in the loss of claims for over 2 million members
- Most plans have adopted an "opt-in" approach where their accounts can affirmatively volunteer to continue submission
- The Supreme Court suggested the Department of Labor (DOL) may fix the loss of data by imposing a federal requirement that ERISA plans submit health care claims data

NASHP/APCD Council Work

- A subcommittee has been working since July to draft a response to a request for comments issued by DOL published as part of a Notice of Proposed Rulemaking making changes to the annual report for employee benefit plans

- Comments developed by the subcommittee assert

  - DOL does not have the authority to grant the states the ability to collect the data

  - DOL does have broad responsibility for data collection, including for the purpose of overseeing cost and quality

  - Current and proposed DOL data collection does not sufficiently address the oversight of cost and quality

Key Elements

- Adoption of a standardized set of health care claims data, the Common Data Layout
- Any DOL requirement for plans to submit health care claims data must be tied to its proposed Schedule J
- DOL may implement a pilot program to collect health care claims data in cooperation with State APCDs
- DOL has the statutory authority to require collection of health care claims data and to partner with States under a pilot approach
- There exists a strong federal policy case regarding the importance of DOL action in the oversight of cost and quality

Comment Submissions

- The full membership of the APCD Council approved the comments prepared by the subcommittee
- Each member will submit the comments
- Multiple stakeholder support will greatly enhance our ability for DOL to seriously consider our proposal
- You, and/or, your organization can submit the comments to DOL
- Comments must be submitted by October 4
- See *Comments to DOL on Proposed Rulemaking* tab for additional information

MASSACHUSETTS
HEALTH POLICY COMMISSION

AGENDA

- Approval of Minutes from the September 7, 2016 Meeting
- Report from the Chair
- Cost Trends and Market Performance
- **Schedule of Next Meeting (November 9, 2016)**

SAVE THE DATE

2016 HEALTH CARE COST TRENDS HEARING

October 17 and 18, 2016
Suffolk University Law School
120 Tremont Street