



MASSACHUSETTS
HEALTH POLICY COMMISSION

Health Policy Commission

Board Meeting

June 24, 2021



AGENDA

- **Welcome by HPC Chair Stuart Altman**
- Approval of Minutes from May 19, 2021 Meeting (**VOTE**)
- Market Oversight and Transparency
- Executive Session (**VOTE**)
- Schedule of Next Meeting (**July 14, 2021**)



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VOTE: Approving Minutes

MOTION: That the Commission hereby approves the minutes of the Commission meeting held on **May 19, 2021** as presented.



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 - Recent Market Transactions
 - Atrius-Optum Transaction
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Types of Transactions Noticed

TYPE OF TRANSACTION	NUMBER	FREQUENCY
Formation of a contracting entity	29	23%
Physician group merger, acquisition, or network affiliation	26	21%
Clinical affiliation	25	20%
Acute hospital merger, acquisition, or network affiliation	24	19%
Merger, acquisition, or network affiliation of other provider type (e.g., post-acute)	16	13%
Change in ownership or merger of corporately affiliated entities	5	4%
Affiliation between a provider and a carrier	1	1%

Market Changes Currently Under Review

- A proposed clinical affiliation between **Boston Children's Hospital** (Children's) and **Cape Cod Hospital** (CCH) under which Children's and its affiliated physician foundations would provide 24/7 in-house professional medical services, clinical oversight, medical leadership, and certain wrap around services to CCH's pediatric program.

RECEIVED SINCE 5/19

- A proposed clinical affiliation between **South Shore Health System** and **Aspire Health Alliance** to collaborate on the planning, development, and implementation of integrated behavioral health clinical programs for the benefit of residents within their respective service areas.

OTHER REVIEWS

- The HPC is also reviewing Determination of Need applications by **Mass General Brigham** proposing the expansion of Mass. General Hospital and Brigham & Women's Faulkner Hospital and the construction of new ambulatory service centers. The HPC expects to provide comment on these applications to the Department of Public Health.

Electing Not to Proceed

- A proposal by **Wellforce** to reorganize its existing contracting entities, New England Quality Care Alliance, Lowell General Physician Hospital Organization, and their affiliated ACOs form a new clinically integrated network (CIN), to be initially named Wellforce CIN. Wellforce CIN would represent providers in risk, quality, value-based, and other population health arrangements with payers.
- A proposal by **Collaborative Care Holdings**, a subsidiary of **Optum** and **UnitedHealth Group**, to acquire the non-clinical assets of **Atrius Health**.



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Proposed Transaction

Collaborative Care Holdings (CCH), a subsidiary of Optum and UnitedHealth Group, Inc., proposes to acquire the non-clinical assets of **Atrius Health (Atrius)**.

The parties' stated goals include:

- ▶ Allowing Atrius to retain **clinical practice autonomy** and remain a **non-hospital-based** provider network.
- ▶ Granting Atrius **access to resources** to invest in enhancing and expanding services.
- ▶ Strengthening the **recruitment and retention** of physicians and other providers.
- ▶ Enabling further investment in initiatives to **better manage total medical expense** and reduce costs across the system.
- ▶ Continuing Atrius's commitment to **value-based contracting**.

Background on the Parties: Collaborative Care Holdings



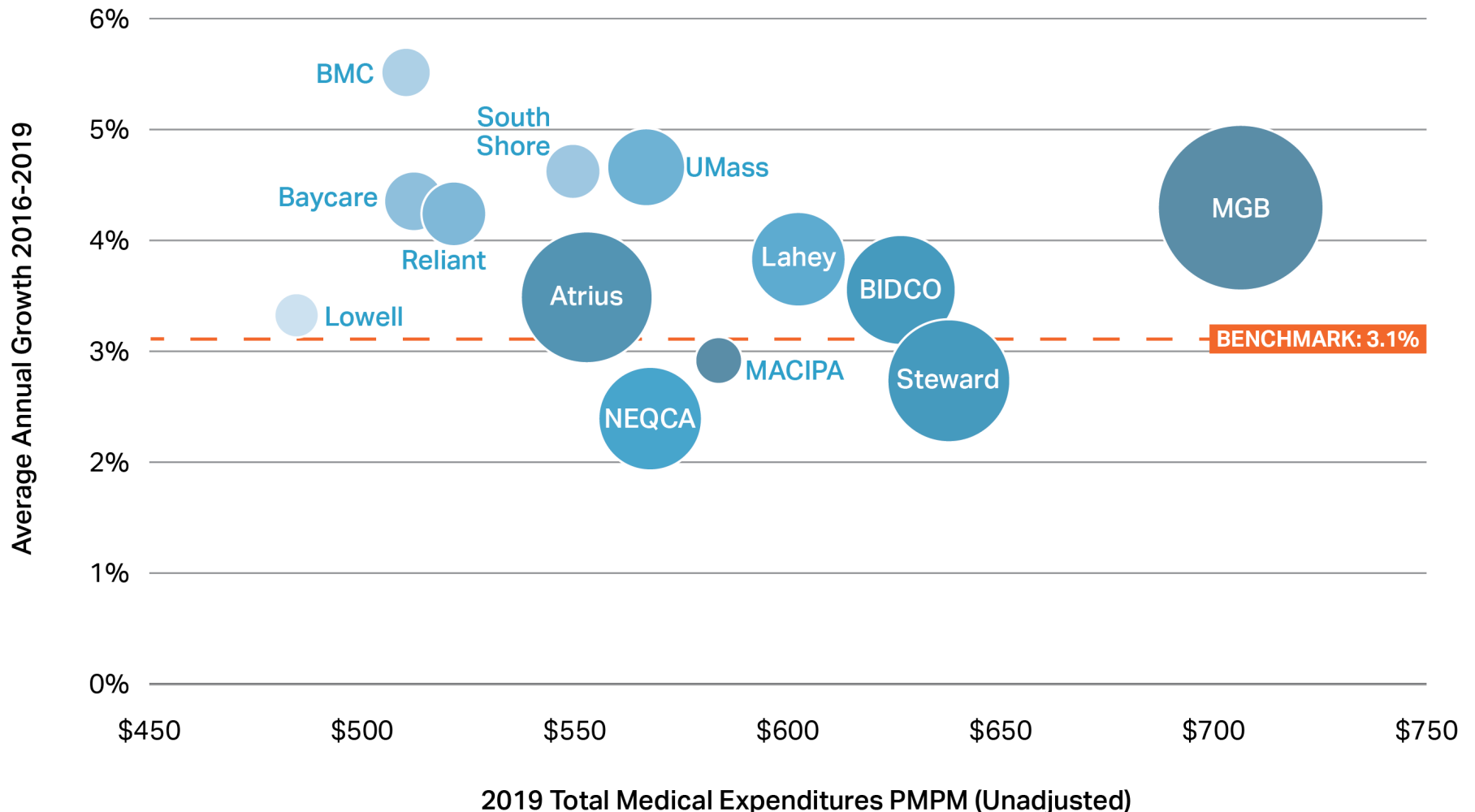
- **Collaborative Care Holdings (CCH)**, LLC, through its **OptumCare** business, is a for-profit health care and management services company. CCH is a subsidiary of Optum and UnitedHealth Group, Inc., which also includes **UnitedHealthcare (United)**, a national insurance carrier with a presence in Massachusetts.
- CCH, through OptumCare, has acquired provider practices on a national scale, including in California, Texas, and Connecticut. It includes 53,000 physicians at 1,450 sites that serve 19 million patients nationwide.
- In 2018, it acquired the non-clinical assets of Reliant Medical Group (Reliant), a former member of Atrius and the largest non-hospital-affiliated medical group in Central and MetroWest Massachusetts with 25 locations and more than 500 providers.
- OptumCare provides its subsidiaries and affiliates with data analytics and management support.



- Atrius is the largest independent physician-led non-profit health care organization in Massachusetts with 1000 employed clinicians and 30 practice sites
- Atrius includes four medical groups (Harvard Vanguard, Dedham Medical Associates, Granite Medical Group, and PMG Physician Associates) as well as several VNAs.
- Atrius has more than 50 specialties including, pediatrics, oncology, cardiology, ophthalmology, sports medicine, allergy, dermatology, surgery, and behavioral health as well as labs, imaging, and pharmacies.
- Atrius performs consistently well on quality ratings, receiving high scores from the Massachusetts Health Quality Partnership, the National Center for Quality Assurance, Centers for Medicare and Medicaid Services (CMS), health insurance plans, and other organizations.
- Atrius has participated in numerous global budget contracts and most of its patients are in value-based contracts.

Background on the Parties: Atrius and Reliant have historically been efficient physician organizations.

Provider group unadjusted TME per member per month in 2019 and 2016-2019 average annual growth in unadjusted TME

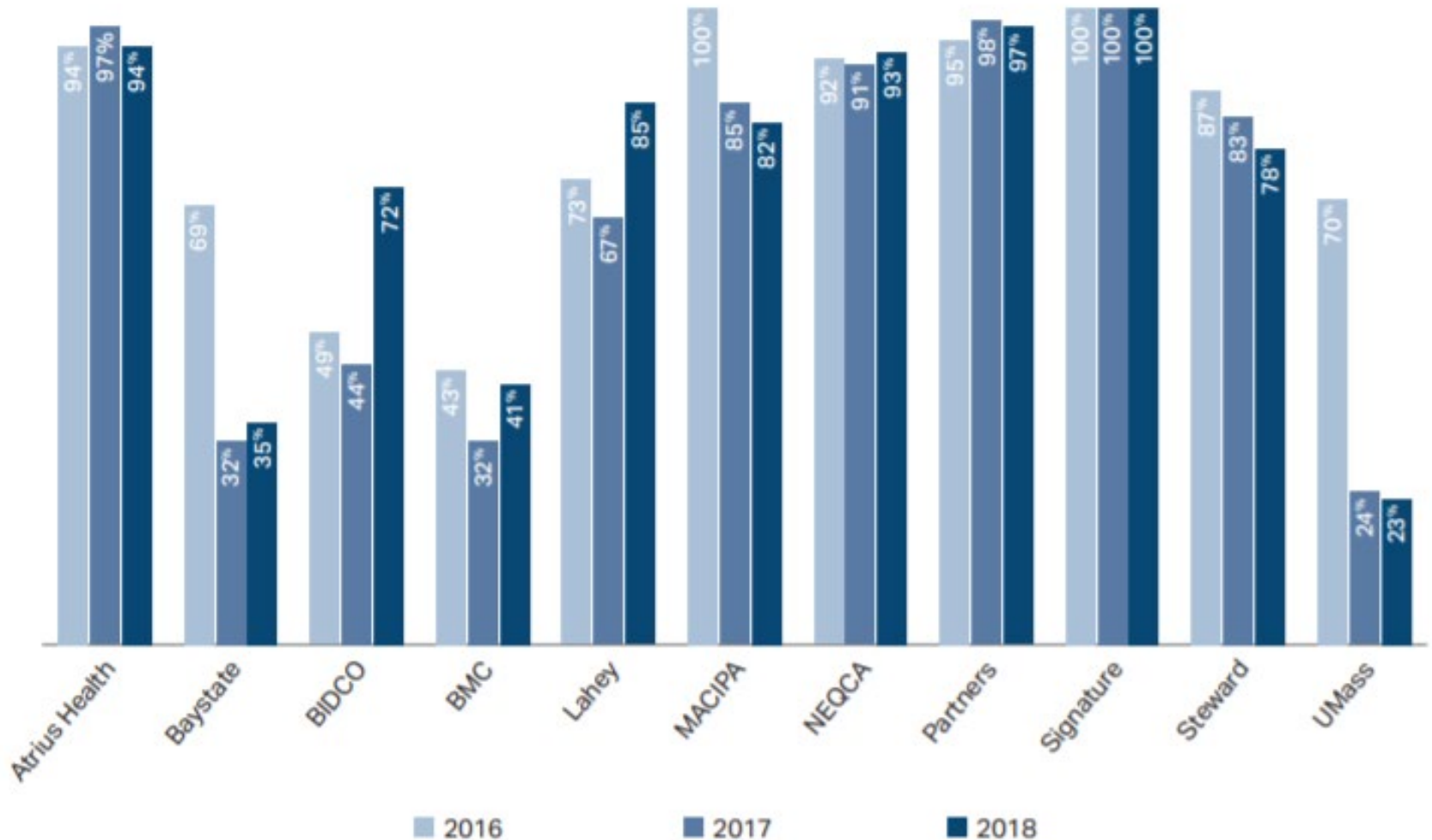


Notes: Bubble size reflect total member months. Only providers with at least 100,000 member months in each year are included. Spending data are for BCBSMA, HPHC and THP only and include PPO plans in addition to HMO and POS. 2019 data is preliminary

Sources: HPC analysis of Center for Health Information and Analysis 2020 and 2019 annual reports; TME databooks.

Background on the Parties: Between 2016 and 2018, Atrius Health was among the provider groups with the highest participation in risk arrangements that include upside and downside risk.

Percentage of Risk Arrangements That Include Shared Losses (“Upside and Downside Risk”) By Provider Group, 2016-2018



Rationale for the Transaction

- In the past few years, Atrius has looked for a partner to provide greater financial sustainability for the organization.
- Atrius based its practice model around patient management under full capitation. However, membership in APMs has slipped in recent years.
- Atrius’s margins in recent years have been low, fluctuating between negative and positive.

Atrius operating and total margin, FY2014 – FY2019

	2014	2015	2016	2017	2018	2019	2020	Q1 2021
Operating margin	1.33%	-2.76%	-1.71%	0.92%	1.63%	-0.47%	-0.55%	-3.31%
Total margin	1.53%	-2.28%	-1.65%	1.84%	1.70%	-0.37%		

- Atrius states the loss of revenue during the height of COVID further hurt the organization. The shift of patients from commercial capitated plans to public and high-deductible plans compounded losses for Atrius.
- Atrius’s rationales for choosing CCH/OptumCare include:
 - Wanting to maintain clinical practice autonomy; and
 - Wanting a partner that aligned with Atrius’s focus on value-based care and population health.

Elements of the Transaction

- After closing, Atrius would amend its corporate purposes and other provisions in its Articles of Organization to no longer qualify as a Massachusetts public charity but rather a **taxable non-profit**.
- Atrius physicians would continue to practice under this non-profit entity, which would **retain control of compensation, payer contracting, and clinical decision-making**.
- CCH would acquire and operate a for-profit **management services organization (MSO)** to which Atrius would transfer all nonclinical assets, including non-clinician employees, facilities, and equipment. CCH/OptumCare would pay fair market value for such assets to the Atrius charitable foundation.
- Atrius and the MSO would then enter a **management services agreement** under which Atrius would receive administrative and corporate support as well as use of the facilities from CCH/OptumCare.
- CCH/OptumCare would also help to **fund and support Atrius's strategic and operating plans** and support Atrius's efforts to recruit and retain physicians and other providers to eastern Massachusetts.
- Atrius **does not anticipate that any health care services will be diminished** in connection with the transaction.

The transaction is under review by the Massachusetts Attorney General's Office, which must approve the sale of charitable assets to a for-profit entity, including the fair market value.

While the transaction is a significant change to the provider market, the HPC's preliminary review did not uncover evidence that it is likely to significantly increase spending or negatively impact market functioning.

COST AND MARKET

- The transaction would increase market concentration in primary care markets, but **the impacts on bargaining leverage are likely to be small**. The increases would be below relevant thresholds for concern, and there is limited geographic overlap between Atrius and Reliant (owned by Optum, and formerly part of Atrius).
- The current structure of the Massachusetts market will likely **limit the potential impact** of Atrius's affiliation with United.
 - United's position in the Massachusetts payer market limits the potential for exclusive contracting between Atrius and United. It would also likely limit Atrius's incentive to raise prices on rival payers in order to divert members to United.
 - Mergers of payers and providers may theoretically result in savings from administrative efficiency and the elimination of double margins, although we did not identify any specific expected savings from these effects.
- We **did not identify concerning performance trends** by Reliant after acquisition by Optum.
- This transaction **preserves Atrius's status as a non-hospital based provider organization**, which have been shown to generally provide high-quality care more efficiently than hospital-based organizations.

The HPC did not review evidence that this transaction would have a negative impact on health care quality or access for MA patients.

QUALITY

- Atrius is already a **high-quality provider organization** and we did not review evidence that this transaction is likely to change its quality performance.

ACCESS

- Atrius does not anticipate that any health care services will be diminished in connection with the transaction.
- Atrius and CCH have stated intentions to recruit and retain high-quality physicians and provide enhanced services to Atrius patients. The **potential access impacts of these plans are unclear**, as the parties' plans are still in development.

The HPC is electing not to proceed to a CMIR, but will closely monitor the impacts of the transaction over time.

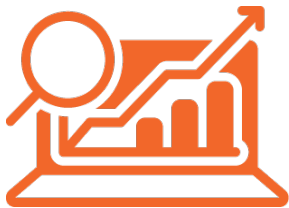
On the basis of its preliminary review, the HPC is electing **NOT** to proceed to a CMIR. However, the HPC will closely monitor the impacts of the acquisition and Optum's behavior in the Massachusetts market on health care costs, quality, and access, including:

- Atrius's size and market share over time, including any new locations or services it develops and any changes to the patient populations it serves over time;
- Atrius's pricing over time;
- Health care spending for Atrius patients, including both unadjusted spending trends and health status adjusted spending trends;
- Changes to medical coding and risk score trends for Atrius patients;
- The quality of services provided by Atrius, including any concerns voiced by patients;
- Atrius's financial performance and the use of any capital investment by Optum;
- Atrius's efforts to care for at-risk, underserved, and government payer populations;
- Atrius's commitment to continuing to work with a range of payers in global budget and other performance-based contracting arrangements; and
- Atrius and Optum's continued cooperation with state and federal government, and compliance with all applicable rules and regulations.

Atrius and OptumCare have agreed to make public commitments about their continued cooperation in the Massachusetts marketplace.



The parties commit to **continue contracting with a broad range of Massachusetts payers**, including MassHealth, and working with them to develop innovative, value-based products.



The parties commit to continue collaborating with the Commonwealth to improve health, reduce health care costs, ensure transparency, and enhance quality and access to care in Massachusetts. This includes **continued cooperation with data collection and performance monitoring programs** of the Center for Health Information and Analysis and the HPC.



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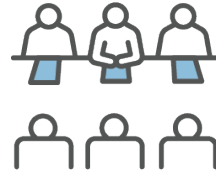
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Upcoming 2021 Meetings and Contact Information



BOARD MEETINGS

July 14
September 15
November 17



COMMITTEE MEETINGS

October 6
December 15



ADVISORY COUNCIL

September 29
December 8



Mass.gov/HPC



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Accountability for the Health Care Cost Growth Benchmark: An Overview



Step 1: Benchmark

Each year, the process starts by setting the annual health care cost growth benchmark



Step 2: Data Collection

CHIA then collects data from payers on unadjusted and **health status adjusted total medical expense (HSA TME)** for their members, both network-wide and by primary care group.



Step 4: HPC Analysis

HPC conducts a confidential, but robust, review of each referred provider and payer's performance across **multiple factors**



Step 3: CHIA Referral

CHIA analyzes those data and as required by statute, confidentially refers to the HPC **payers** and **primary care providers** whose **increase** in **HSA TME** is above bright line thresholds (e.g., greater than the benchmark)



Step 5: Decision to Require a PIP

After reviewing all available information, including confidential information from payers and providers under review, the **HPC Board votes** to require a PIP if it identifies significant concerns and finds that a PIP could result in meaningful, cost-saving reforms. The entity's identity is public once a PIP is required.



Step 6: PIP Implementation

The payer or provider must propose the PIP and is subject to **ongoing monitoring** by the HPC during the **18-month implementation**. A fine of up to than \$500,000 can be assessed as a last resort in certain circumstances.

VOTE: Enter into Executive Session

MOTION: Motion: That, having first convened in open session at its June 24, 2021 board meeting and pursuant to M.G.L. c. 30A, § 21(a)(7), the Commission hereby approves going into executive session for the purpose of complying with M.G.L. c. 6D, § 10 and its associated regulation, 958 CMR 10.00, M.G.L. c. 6D, § 2A, and M.G.L. c. 12C, § 18, in discussions about whether to require performance improvement plans by entities confidentially identified to the Commission by the Center for Health Information and Analysis.