

The leading voice for hospitals.

July 13, 2016

David Seltz
Executive Director
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Dear Executive Director Seltz:

On behalf of our member hospitals and health systems, the Massachusetts Hospital Association (MHA) appreciates the opportunity to offer comments on the proposed regulation 958 CMR 9.00 – Assessment on Certain Health Care Providers and Surcharge Payers.

The Health Policy Commission (HPC) is one of two key state agencies that were created under Chapter 224 of the Acts of 2012 to oversee and support implementation of the healthcare payment and delivery reform law – the other agency being the Center for Health Information and Analysis (CHIA). Over the years, the HPC has contributed to healthcare reform through its discussions, analysis, and decisions related to healthcare cost trends and quality. It is a mission that benefits the commonwealth and a wide variety of stakeholders, including consumers, insurers, employers, providers, hospitals, and state government.

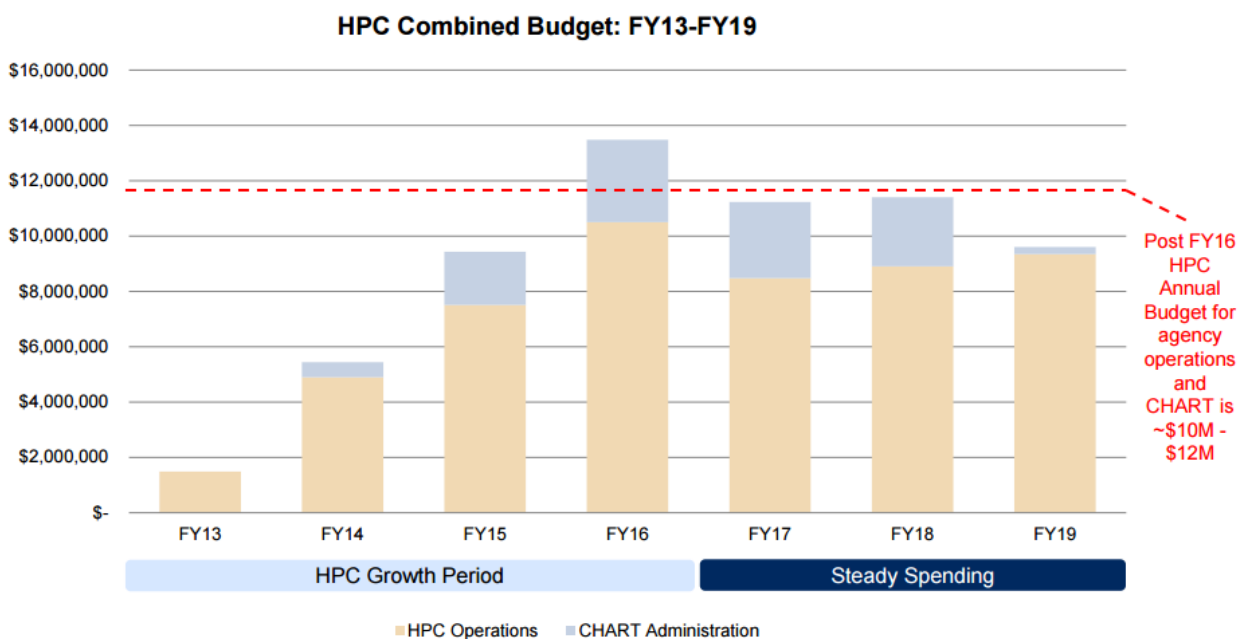
Chapter 224 requires that hospitals, ambulatory surgical centers (ASCs), and health insurers support the financing of the administrative expenses of CHIA and the HPC. For CHIA, the funding assessment began in FY2013 with the inception of the agency. For the HPC, hospitals/ASCs and insurers will be charged for the agency's costs beginning in FY2017 per the proposed regulation 958 CMR 9.00. Similar to CHIA, Section 6 of Chapter 6D of Massachusetts General Laws (MGL) sets the assessed amount for hospitals and ASCs as “***not less than 33 per cent of the amount appropriated by the general court for the expenses*** of the commission minus amounts collected from: (i) filing fees; (ii) fees and charges generated by the commission; and (iii) federal matching revenues received for these expenses or received retroactively for expenses of predecessor agencies.” The intent of the law when it was enacted was that hospitals, ASCs, insurers, and state government would all share equal responsibility for funding these oversight agencies since both agencies serve the entire commonwealth.

Based on the proposed regulation 958 CMR 9.00, HPC proposes to define the acute hospital and ASC assessment liability as “***one-half of the Commission's Expenses***.” Surcharge payers would be responsible for the other half. This corresponds to the HPC Administrative and Finance committee's June 1, 2016 presentation which stated acute hospitals would pay 49.4% of the agency's budget, ASCs 0.6%, and surcharge payers 50%.

The proposed assignment of 100% of the HPC's \$8.5 million administrative budget to acute hospitals, ASCs, and surcharge payers stands in contradiction to the intent of the funding formula established in Chapter 224. MHA realizes that to revise the proposed assessment so that the liability on acute hospitals and ASCs, as well as for surcharge payers reflects the respective 33% responsibility intended by Chapter 224 could create a funding problem for HPC. We recognize that by making such revisions, HPC would in effect be looking to the commonwealth to be partly responsible for this agency. We believe this would be entirely appropriate and in line with the law's intention given the commonwealth is a significant beneficiary of the analyses, recommendations, and policies that are a product of the HPC's work.

Given this difficult situation, MHA urges HPC to be a strong and vocal partner in the effort to effect statutory changes to address the financing of HPC and CHIA. The work performed by CHIA and the HPC is a resource for all in the commonwealth, yet the assignment of the costs for these two agencies falls solely to the hospital community and insurers. The funding formula must be revised to achieve a more reasonable balance – one that includes the participation of the all of the stakeholders who benefit from the work of the agency. Senate Bill 635 that is now before the legislature would more clearly define the funding responsibility in a manner that reflects the intentions set forth in Chapter 224. MHA requests your support of this bill which will help bring rationality and fairness to the funding process.

The growing administrative costs of the HPC are also a concern to hospitals given their funding responsibility. During the development of Chapter 224, the agency was envisioned to be small in scale, as its data needs would be supported by CHIA. It now stands at 59 employees and makes use of numerous consultants in its work. Even putting aside expenses related to the HPC's CHART grant administration (which is also paid for by hospitals and insurers), the agency's budget more than doubled from FY2014 to FY2016.



The HPC states it anticipates its expenses will stabilize in the future. However, the HPC's expenses are already significant and our experience with similar healthcare oversight agencies paid for by hospitals is that the expenses of such agencies typically increase at a faster rate than those state agencies that are directly funded by the commonwealth. This is particularly concerning given that the HPC's administrative budget is funded by hospitals and insurers - both of which are subject to the cost containment expectations established by the state's healthcare cost benchmark. Hospitals and surcharge payers are not represented on the HPC and therefore have no role in determining the HPC's budget. Therefore, MHA respectfully requests that the proposed regulation be modified to include a provision that limits the acute hospital/ASC assessment and surcharge payer liabilities from increasing each year by no more than the state's health care cost benchmark as set by the HPC per Section 9 of Chapter 6D of MGL.

MHA appreciates the important work HPC performs for the commonwealth in our collective effort to reform the payment and delivery of healthcare. However, the assignment of those costs to the healthcare community must be revised to achieve a more equitable balance, with any growth in the agency's expenses aligned with the cost growth benchmark established by the HPC. Thank you for your consideration of these comments and please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Timothy F. Gens".

Timothy F. Gens
Executive Vice President & General Counsel
Massachusetts Hospital Association