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**To:** [Clarke, Lucy \(DPH\)](#)  
**Cc:** [DPH-DL - DoN Program](#)  
**Subject:** RE: [External] RE: DoN Application # BHS-23072710-OL  
**Date:** Wednesday, November 22, 2023 9:32:57 AM  
**Attachments:** [berkshire-health-staff-report \(Applicant comments\)\(2035488.2\).docx](#)

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Hi Lucy,

Attached please find the Applicant's comments on the staff report. I have attached a redline copy with the following proposed changes:

- Pg. 33: clarified in two places how the swing beds contribute to lower the TME
- Pg. 34: corrected the name of the Applicant
- Pg. 40-42: Updated Factor 6 narrative after consultation with the CHI team.
- Pg. 55: added Richard Herrick's title and organization.

Thank you and have a Happy Thanksgiving!

Emily

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patients to address the cost-sharing and any other eligible patients through its financial assistance policy, as it currently does at FVH.

- The Applicant proposes to close two endoscopy procedure rooms and re-open two ORs that were available prior to the NARH closure. These ORs will be mixed inpatient/outpatient ORs that will be used for all types of procedures, and that will continue to meet need for surgical and endoscopy procedures. The Applicant asserts that maintaining the same number of rooms that it currently operates will allow the Applicant to gain efficiencies that will minimize costs, and the efficient staffing model that will be used in the repurposed ORs will reduce the Applicant's TME.
- The Proposed Project will contribute to a long-term reduction in TME by increasing timely access to care in the appropriate setting, on an inpatient and outpatient basis.
- Patients who elected to seek care in Southwestern Vermont, and who choose to then seek care at the proposed facility, will receive care that is more coordinated and integrated in the BHS, and the return of these patients to North Adams for care can help lower MassHealth costs for their care, because out-of-state providers are reimbursed at a higher rate.
- The swing beds further contribute to a lower TME because it leverages the "core staffing" model of the CAH to make hospital operations more efficient~~the CAH will be reimbursed for providing a SNF level of care.~~
- The Stroudwater Financial Impact Analysis finds that projected revenues will offset projected costs which indicates that the Proposed Project will have a slight impact on the Commonwealth's TME, but this impact will be offset by the anticipated benefits to the Patient Panel, which were mentioned above.

The Proposed Project's ability to compete was further supported in written comments provided by the President and CEO of Berkshire Health Systems. It is noted above that CAHs receive cost based reimbursement from CMS. The comments explained how the CAH reimbursement model can impact the cost of care and reimbursement, noting that federal reimbursement rates are subject to certain terms and conditions that modify the final rate received. CAHs are not fully funded by CMS but are reimbursed on a cost basis for certain allowable costs. Further, reimbursement to CAHs is reduced by 2% due to federal sequestration. The comment goes on to state that the "core staffing" model, which is critical to the operation of a CAH and caring for patients in swing bed status, makes hospital operations more efficient and can lower the per patient cost of care. A summary of public hearing comments and written comments can be found in Appendix VII.

### **Analysis**

Cost containment on a statewide level is impacted through pricing, which is a function of what providers charge payers, what payers agree to pay, and which services are rendered. While payment contracts between providers and Medicare and Medicaid are relatively transparent, those between individual providers and commercial payers are confidential.<sup>cccc</sup> As a result, staff cannot assess how BHS's contracts with payers, which may incentivize more or less utilization of services, are structured.

To assess potential commercial spending impacts of the Proposed Project, using publicly available data, staff examined two factors that influence healthcare spending: unit prices and utilization.

**Unit Prices:** The reimbursement rates providers receive from payers.

With the addition of a new hospital to the BHS system, new prices will need to be negotiated for NARH's services. The Applicant has not indicated how the Proposed Project might impact NARH's prices. To assess potential commercial spending impacts of the Proposed Project, staff examined relative price (RP) data developed by CHIA for Calendar Year 2021 of the two existing acute care hospitals in the BHS system for two of their largest commercial payers: Blue Cross Blue Shield (BCBS), and Health New England (HNE).<sup>43</sup> This is shown in Table 20. Staff focused on inpatient RP data since the project entails the expansion of new inpatient capacity. A relative price of 1.0 represents each payer network's average price across inpatient services. The information shows that the inpatient RP of BMC and FVH are slightly above the network average for BCBS, but slightly below the network average for HNE.

**Table 20: Inpatient Relative Prices (RP), BMC and FHV**

|                        | BMC  | FHV  |
|------------------------|------|------|
| Network Average=1.0    | RP   | RP   |
| Blue Cross Blue Shield | 1.04 | 1.18 |
| Health New England     | 0.75 | 0.67 |

To further examine the potential impact of the Proposed Project on commercial spending, staff examined the payer mix of BHS' existing facilities. The proposed facility will be part of BHS, and many of its anticipated patients are already receiving care through BHS. BHS' existing facilities serve a high proportion of public payer patients. Both existing hospitals in the BHS are community-High Public Payer hospitals with public payers comprising more than 63% of gross patient revenue. In 2021, CHIA reported that 73.0% of BMC's and 64.7% of FVH's gross patient service revenue was from public payers.<sup>ddd,eeee</sup>

The Applicant provided payer mix data for ~~BMC Baystate~~ Acute Care patients, which represent BMC discharges that reside in the North Berkshire primary and secondary service areas. Almost 68% of this patient population is insured through Medicare and Medicaid and approximately 29% through commercial payers. Based on the 1,141 projected discharges at the proposed facility and the current BMC Acute Care patient population payer mix, roughly a third of potential inpatients could be insured by commercial payers, which would, equate to 376 patients. The Applicant also provided the payer mix for SEF transfers to BMC and this showed

<sup>43</sup> The data allow for comparison of hospital inpatient RP within a payer network. A RP of 1.0 represents each payer network's average price across inpatient services. Providers with a RP above 1.0 receive higher-than-average payments in a payer's network. A relative price of 1.2 means that the provider's price level is 20% above the average inpatient price in a payer's network.

The Applicant considered and rejected one alternative to the Proposed Project.

- **Maintain status quo.** The Applicant states that continuing to provide healthcare services to North County residents through the BMC SEF is not an optimal alternative.
  - Quality: Patients requiring inpatient or observation level care would still be required to travel to BMC in Pittsfield (25 miles distance) or to Southwestern Vermont (18 miles distance) to receive care. The Applicant states that a lack of local inpatient and outpatient services contributes to lower utilization for the population. In addition, it poses socioeconomic and transportation barriers to access for patients and makes it difficult for patients to involve their support systems in their care. This alternative does not address the challenge of providing access to convenient and reliable transportation for patients between North County and Pittsfield.
  - Efficiency: Continuing to transfer patients from the SEF puts a strain on BMC's inpatient capacity.
  - Capital Expense: None
  - Operating Costs: No new operating costs.

In response to staff inquiry about other alternatives pursued, the Applicant explained that it has been continuously exploring alternatives from a quality, efficiency, capital expense and/or operating cost perspective. In doing so, the Applicant has implemented numerous initiatives that resulted in bringing back outpatient services to the former hospital and expanding services to include dialysis and cardiac rehabilitation. The Applicant notes that in 2014, the Stroudwater Report confirmed that it would not be possible to reopen hospital inpatient beds without the CAH designation, and that it was only the recent changes in federal regulation that allowed the Applicant to act on the findings from the Stroudwater Report and pursue the CAH designation to reopen hospital inpatient services.

#### ***Analysis***

Staff finds that the Applicant has appropriately considered the quality, efficiency, and capital and operating costs of the Proposed Project relative to potential alternative. As a result of information provided by the Applicant and with additional analysis, staff finds the Applicant has met the requirements of Factor 5.

## **Factor 6: Fulfillment of DPH Community-based Health Initiatives Guideline**

*Summary and relevant background and context for this application:* This is a DoN Proposed Project for an original license for NARH of BHS that will result in a Tier 1 Community-based Health Initiative (CHI). Recognizing that NARH is applying to be a new hospital entity of BHS, the CHI team and the Applicant worked together to identify appropriate Factor 6 requirements to give the Applicant time to stand up a reasonable CHI

infrastructure, [including the creation of a community advisory body \(CAB\) that would have responsibilities for the implementation of the CHI for this project only](#). To fulfill Factor 6 requirements, BHS submitted its 2022 Community Health Needs Assessment (CHNA) and a CHI Narrative. BHS will provide the remaining Factor 6 materials—Self-Assessment and Stakeholder Assessments—when its [project-specific CAB begins meeting](#) ~~[new Community Advisory Board \(CAB\) is established \(tentatively Fall 2023\)](#)~~.

**The Applicant's Community Health Needs Assessment (CHNA)** was conducted in 2021 and commissioned by BHS in 2022 to collaborate with the Coalition of Western Massachusetts Hospitals/Insurers ("the Coalition") around shared health priorities going forward. BHS joined the Coalition in 2022, which formed in 2012 to coordinate resources and activities, including their CHNA, and consists of 10 nonprofit hospitals, clinics and insurers in the region. The CHNA assessed Massachusetts' Berkshire County using a literature review, secondary data sources and primary data gathered from community conversations and key informant interviews. Guided and informed by the Coalition's 2022 CHNA structure and process, the Applicant's CHNA prioritized community health needs as they related to social influencers of health, barriers to healthcare access, and health behaviors and outcomes. The prioritized health needs of the Applicant's service area include: (1) youth mental health, (2) social and economic determinants of health (e.g., social environment, housing needs, access to health food, transportation, places to be active, employment and educational needs), (3) barriers to accessing quality healthcare (e.g., insurance challenges, limited availability of providers, need for increased culturally sensitive care, etc.), (4) health conditions and behaviors (e.g., mental health and substance use, chronic health conditions).

Using the 2022 CHNA, the Applicant will need to engage its newly established CAB to select key health priorities and identify strategies for implementation with the funds associated with this proposed project.

**The Self-Assessment** will be submitted to DPH within 3 months of the CAB [holding its first meeting in relation to this project-being established and seated](#). After establishing their ~~[new project-specific](#)~~ CAB, the Applicant will complete the form to provide a summary of community engagement processes and socio-demographic information, data and highlights related to topics and themes of community needs related to the 2022 CHNA.

**Stakeholder Assessments** will be submitted to DPH within 3 months of the [project-specific CAB holding its first meeting in relation to this project-being established and seated](#). Individuals who make up the Applicant's CAB will provide information on their individual engagement levels (e.g., their personal participation and role) and their analysis of how the Applicant engaged the community in community health improvement planning processes.

**The CHI Narrative** provides background and overview information for the CHI processes. The narrative also outlines efforts to establish a decision-making body for the advisory and allocation committees. Additionally, the narrative outlines the CHI funds breakdown and the anticipated timeline for CHI activities. The Applicant proposed that CHI monies will primarily

serve Northern Berkshire County, where the proposed project will primarily operate. This is typically understood to include the following municipalities: Adams, Cheshire, Clarksburg, North Adams, Florida, Savoy and Williamstown. The Applicant also highlighted the significant community needs related to substance use and behavioral health disorders exacerbated by the opioid crisis.

To establish a CAB, the Applicant plans to ~~deploy engage with~~ Berkshire Medical Center's Office of Community Health ~~to engage~~ with the North Adams HEALing Communities Coalition (NAHCC). Working to address SUD challenges of the Northern Berkshire community for over 10 years, ~~the NAHCC~~~~this group~~ is a pre-existing, local advisory committee, ~~currently operating under a HEALing Communities Grant~~, that ~~the Applicant proposes~~ will act as the decision-making body for the proposed CHI project.

-Moving forward, the Applicant must conduct activities to ensure ongoing work with the ~~newly project-specific established~~ CAB will align with the CHI Health Priorities and Planning Guidelines. The ~~Applicant expects that the~~ NAHCC will be recruiting for any missing constituencies on the ~~project-specific~~ CAB, and DPH will work with the Applicant and the CAB to ensure the group's make up is sufficient to help them make decisions in line with CHI principles. The Applicant may also need additional touchpoints with DPH staff to establish a process for planning and implementation work. Regarding the implementation of specific CHI strategies, DPH will work with the Applicant in moving upstream, and identifying needs at the root cause level to support sustainable systems level solutions.

The proposed timeline and use of evaluation and administrative funds are all appropriate and in line with CHI planning guidelines. ~~The anticipated timeline for CHI activities includes the establishment and first meeting of the Advisory Committee six weeks post approval, identifying the Health Priorities Strategies 3 months post approval, and releasing an RFP six months post approval, with funding awarded to successful RFP applicants 3-4 months thereafter. The Applicant will decide the full breakdown of evaluation and administrative funds after conferring with their advisory body.~~

*Summary Analysis:* As a result of the information provided by the Applicant and additional analysis, staff finds that with the conditions outlined below, and the ongoing communication on items outlined above, the Applicant will have demonstrated that the Proposed Project has met Factor 6.

## Public Comments on the Application

Any person, and any Ten Taxpayer group, may provide written or oral comment at any time during the first 30 days following the Filing Date of an Application, or during the first ten days after a public hearing.

## APPENDIX VI: Names of People Who Submitted Written Comments

| First Name     | Last Name             | Middle Initial | Title and Organization  |
|----------------|-----------------------|----------------|---|
| Richard        | Neal                  | E              | Congressman, 1st District of Massachusetts  |
| Paul           | Mark                  | W              | MA Senator, Berkshire, Hampden, Franklin and Hampshire District                               |
| John           | Lipa                  |                | Born and raised, North Adams, MA  |
| Debbie         | Richardson            |                | Vice President of Talent Management at Integritus Healthcare                                  |
| John           | Meaney, Jr., NRP, I/C | P              | Chief and General Manager of Northern Berkshire EMS   |
| James          | Birge, Ph.D.          | F              | President of Massachusetts College of Liberal Arts  |
| Darlene        | Rodowicz              |                | President and CEO of Berkshire Health Systems   |
| Richard        | Alcombright           |                | Community Member, BHS Board of Trustees, Former Mayor of North Adams                          |
| Alec           | Belman, MD            |                | Chief of Staff at Fairview Hospital   |
| Amber          | Besaw                 |                | Executive Director of the Northern Berkshire Community Coalition                              |
| Michele        | Biron                 |                | Community Member  |
| Patrick        | Borek                 |                | Vice President of Human Resources, BHS  |
| Marie          | Harpin                |                | North Adams City Councilor, Community Member  |
| Jennifer       | Macksey               |                | Mayor of North Adams  |
| Jason          | Ogiste, MD            |                | Surgeon, BHS  |
| Lou Ann        | Quinn, RN             |                | Former Site Director of the North Campus/Clinical Manager of the Satellite Emergency Facility |
| Charles        | Redd                  |                | Diversity, Equity, and Inclusion Officer at BHS   |
| Scott          | St. George            |                | Chief Financial Officer, BHS  |
| Jill           | Landis, RN            |                | VP of Quality Management for Integritus Healthcare  |
| Christina      | Hall                  |                | Nurse, Resident of Northern Berkshire County  |
| Dane           | Rank                  |                | Administrator of Charlene Manor, Integritus Healthcare  |
| Jackie         | Felix                 |                | Resident of Northern Berkshire County   |
| William (Bill) | Jones                 | C              | President & CEO of Integritus Healthcare  |
| Smitty         | Pignatelli            |                | State Representative, 3 <sup>rd</sup> Berkshire District                                      |
| William        | Kittler               |                | Administrator of Kimball Farms Nursing Care Center  |
| Tricia         | Bragdon, LICSW        | L              | VP-Operations, Integritus Healthcare  |
| Richard        | Herrick               | J              | <a href="#">Vice Chair of Integritus Healthcare Board of Trustees</a>                         |
| Lisa           | Gaudet                | A              | Vice President Business Development, Integritus Healthcare                                    |
| Tara           | Coughlin, MBA, LNHA   |                | Regional Director of Operations, Integritus Healthcare  |