

# Health Policy Commission

Administration and Finance Committee  
FY13 Budget Update and FY14 Budget Proposal

June 17, 2013



# Agenda

- FY13 Budget Update
- FY14 Budget Proposal

# ANF Committee

## Membership

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1. Stuart Altman, Chair
2. Rick Lord
3. Veronica Turner
4. Jean Yang

## Duties

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The Committee will assist the Commission in its oversight responsibilities relating to the administration and fiscal management of the Health Policy Commission. In furtherance thereof, the Committee will:

- **review and recommend approval to the Board of an annual operating budget;**
- conduct regular review of the Commission's financial controls, financial status, and financial reports, and make recommendations as needed to the full Board;
- oversee an independent audit of the Health Policy Commission; and
- evaluate and recommend the compensation of the Commission's executive director, and review compensation for Commission's senior management staff.

# Health Policy Commission: At a glance

## Who we are

The Massachusetts Health Policy Commission is an independent state agency governed by an 11-member board with diverse experience in health care.

## Mission

Our mission is to promote informed dialogue, evidence-based policy, and innovative models to foster transformation through ongoing evaluation of the Massachusetts health care system.

## Vision

Our vision is a transparent, accountable health care system that ensures quality, affordable, and accessible health care for the Commonwealth's residents.

# Health Care Payment Reform Trust Fund

## Receives funding from:

- \$11.25 million of the \$225 million assessment on certain hospitals and payers, collected in annual installments over four years (FY13-FY16)
- 23% of any one-time licensing fees collected by the Massachusetts Gaming Commission (approx. \$20 million per gaming license)
- Other amounts transferred to support interagency activities or as otherwise appropriated by the General Court
- An annual assessment on hospitals, ambulatory surgery centers, and payers (Starting in FY17)

## Primary purposes:

- To support the activities of the HPC
- To foster innovation in health care payment and service delivery through a competitive grant program

# Health Care Payment Reform Trust Fund – key FY13 considerations

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- **FY13:** July 1, 2012 – June 30, 2013
  
  - The first installment of the industry assessment is expected to generate approximately \$3.7 million by June 30, 2013
    - This represents approximately 1/3 of the four-year total, as many surcharge payers opted for the “one lump sum” payment option
    - Any decision by the HPC to grant mitigation to certain hospitals will *not* impact the portion set aside for the Health Care Payment Reform Trust
  
  - Three state agencies supported the HPC in FY13 through interagency services agreements (ISAs), including:
    - Administration and Finance to support general operations (\$500,000)
    - Center for Health Information and Analysis to support cost trends work (\$150,000)
    - Department of Public Health to support OPP (\$94,000)
  
  - Any funds not expended at the end of the fiscal year from the Health Care Payment Reform Trust Fund will be rolled over into the next fiscal year
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# HPC operations in FY13 – goals and challenges

## Goals

- Begin to build an operational foundation necessary to support the Board and meet the ambitious statutory responsibilities contained with Chapter 224
- Focus on hiring a highly-productive senior policy team with significant health care policy expertise and a diverse set of experiences and skills
- Coordinate with existing state activities and minimize duplication
- Utilize cost-effective resources wherever possible to begin to build facility and IT support
- Maximize opportunities to receive in-kind support from other state agencies for certain administrative and operational functions
- Transfer the Office of Patient Protection from DPH to the HPC seamlessly
- Exhibit exceptional fiscal management and discipline
- Uphold a high-standard for ethical and legal compliance
- Promote transparency and public engagement in all activities of the HPC

## Challenges

- Meeting ambitious statutory responsibilities and timelines in many different areas of health care policy reform requires distinct and specific expertise
- Balancing the need to meet short-term deadlines while also building strategically for the long-term
- Requirement to administer and collect a one-time \$225 million industry assessment as a new state agency in less than six months
- Recruiting professional staff with highly valued skills in a competitive market
- No existing support resources and limited start-up funding
- Physical space constraints with accelerated build-out needs
- Significant IT data security needs
- Limited internal capacity for day-to-day financial and administrative operations (accounts payable and receivable, payroll/benefits administration, tech support, accounting)

# HPC operations – key results for FY13

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- On-track to meet statutory deadlines, including the collection of the one-time \$225 million industry assessment
  - Completed hiring of the senior policy team
  - Secured support from a number of state agencies, including:
    - The Office of the State Comptroller agreed to provide financial and operational services including HR, procurement, and payroll support (no cost through FY13)
    - CHIA agreed to provide office space and facility management at Two Boylston Street (at no cost through FY13)
    - ANF agreed to provide basic IT support, procurement support, and website maintenance (funded through a service agreement)
  - Successfully transferred the Office of Patient Protection from DPH to the HPC with no disruption in essential consumer services
  - Recruited a team of highly-qualified graduate student interns to provide cost-effective research and analytical support
  - Final FY13 spending consistent with the Interim Budget approved by the Board in January, 2013
  - Developed internal trainings and best practices to ensure ethical and legal compliance
  - Exceeded expectations for transparency and public engagement for all of our activities
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# FY13 Estimated Balance Sheet

<b>FY13- Health Care Payment Reform Trust Fund and HPC Operating Budget</b>	
<i>Estimated Deposits</i>	
First Installment from the Industry	
Assessment	\$3,700,000
A&F ISA	\$500,000
CHIA ISA	\$150,000
DPH/OPP ISA	\$94,000
One-Time Gaming License Revenue	\$0
<b>Total Deposits</b>	<b>\$4,444,000</b>
<i>Estimated HPC Operating Expenditures</i>	
Payroll	(\$432,725)
GIC/Retirement	(\$108,181)
DPH ISA	(\$61,000)
Professional Services	\$0
IT Infrastructure and Services	(\$40,000)
Administrative/One-Time Expenses	(\$100,000)
<b>HPC Operating Total</b>	<b>(\$741,906)</b>
<i>Estimated Other Trust Fund Expenditures</i>	
Innovation Investment Program	\$0
<i>Estimated Year-End Balance</i>	<b>\$3,702,094</b>

# Health Care Payment Reform Trust Fund – key FY14 considerations

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- **FY14:** July 1, 2013 - June 30, 2014
  - The balance at the beginning of FY14 is expected to be \$3.7 million
  - The second installment of the assessment is expected to generate approximately \$2.5 million by June 30, 2014
    - The HPC has legislative authority to expend funds in anticipation of revenues, so long as the Trust Fund is in balance at the end of the FY
  - FY13 interagency agreements (CHIA/DPH/ANF) are not expected to be renewed in FY14
  - The Commonwealth is expected to issue at least two gaming licenses in FY14, with a one-time transfer to the Health Care Payment Reform Trust Fund of \$40 million
  - Both the House and Senate FY14 budget proposals seek to repurpose a portion of these gaming funds to support the MassHealth program (final amount is unknown at this time)
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# HPC operations in FY14 – goals and challenges

## Goals

- Fill out policy teams with key support staff to fulfill statutory responsibilities
- Build internal capacity for day-to-day financial and operational management
- Ensure accountability for the distribution of funds through any grant programs administered by the HPC
- Identify opportunities for collaboration with public and private partners
- Coordinate with existing state agencies for IT security and data storage
- Contract with external professional services as necessary to support and compliment internal staff work, including a contract to assist the HPC in becoming a first-generation analytical user of the APCD
- Exhibit exceptional fiscal management and discipline
- Uphold the highest standards for ethical and legal compliance
- Promote transparency and public engagement in all activities of the HPC, including through the development of a more user-friendly web presence

## Challenges

- Ambitious statutory responsibilities for the development and administration of new care delivery certification programs and external grant programs
- Unpredictable number of material change notices and potential cost and market impact reviews
- Obligation to absorb the full annualized cost of the Office of Patient Protection within the HPC budget (formerly supported through a DPH appropriation in FY13)
- Balancing the need to “build vs. buy” expertise and project management capacity
- Difficult to estimate annualized costs based on less than six months of experience
- Existing no-cost support agreements (CTR/CHIA) set to expire on June 30, 2013
- Physical space constraints will require an agency relocation
- Significant IT and data security needs
- Uncertain timing for the issuance of gaming licenses and the impact of the state's final FY14 budget on the Health Care Payment Reform Trust Fund

# HPC current and projected staff plan

	Description	FTEs	
		Current	Projected (FY14)
Care Delivery and Quality Improvement	<ul style="list-style-type: none"> <li>ACO/PCMH certification</li> <li>Model payment development</li> <li>Competitive grant programs</li> </ul>	2	6
Cost Trends and Special Projects	<ul style="list-style-type: none"> <li>Annual cost trends report and hearings</li> <li>Performance improvement plans</li> <li>Special projects, e.g., one-time assessment</li> </ul>	3	5
External Affairs and Agency Operations	<ul style="list-style-type: none"> <li>Overall agency finances and operations</li> <li>Communications and external affairs</li> <li>Overall policy development support</li> </ul>	3	5
Legal and Office of Patient Protection	<ul style="list-style-type: none"> <li>Overall agency legal support</li> <li>Regulation promulgation</li> <li>Office of Patient Protection</li> </ul>	4	6
Market Performance	<ul style="list-style-type: none"> <li>Preliminary review of notices of material changes</li> <li>Cost and market impact reviews</li> <li>Registration of provider organizations</li> </ul>	4	5
Research and Analysis	<ul style="list-style-type: none"> <li>Analysis of key databases, e.g. APCD</li> <li>Research support across policy teams</li> <li>Evaluation of system transformation activities</li> </ul>	1	3
		18*	31*

\* 1 FTE added for Executive Director

# FY14 Projected Balance Sheet

<b>FY14- Health Care Payment Reform Trust Fund and Proposed HPC Operating Budget</b>	
<i>Beginning Balance</i>	
	\$3,702,094
<i>Estimated Deposits</i>	
Second Installment from the Industry Assessment	\$2,500,000
One-Time Gaming License Revenue	\$39,500,000
<b>Total Deposits</b>	<b>\$42,000,000</b>
<i>Estimated HPC Operating Expenditures</i>	
Payroll	(\$2,657,850)
GIC/Retirement	(\$714,962)
Rent	(\$225,000)
Professional Services	(\$1,650,000)
IT Infrastructure and Services	(\$200,000)
Administrative/One-Time Expenses	(\$200,000)
<b>HPC Operating Total</b>	<b>(\$5,647,812)</b>
<i>Estimated Other Trust Fund Expenditures</i>	
Innovation Investment Program	TBD*
<i>Estimated Year-End Balance</i>	
	<b>\$40,054,282</b>

\* Projected budget for Innovation Investment program under development for FY14

## Committee Vote

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**Motion:** That the Administration and Finance Committee hereby accepts and approves the Commission's total operating budget for fiscal year 2014 as presented and attached hereto, and recommends that the Commission approve this budget at the next Commission meeting.

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