MINUTES OF THE COMMUNITY HEALTH CARE INVESTMENT AND CONSUMER INVOLVEMENT COMMITTEE

Meeting of June 17, 2013

MASSACHUSETTS HEALTH POLICY COMMISSION

THE COMMUNITY HEALTH CARE INVESTMENT AND CONSUMER INVOLVEMENT COMMITTEE OF THE MASSACHUSETTS HEALTH POLICY COMMISSION
Center for Health Information and Analysis
Daley Room, Two Boylston Street, 5th Floor
Boston, MA 02116

Docket: Monday, June 17, 2013, 10:00 AM – 11:00 AM

PROCEEDINGS

The Massachusetts Health Policy Commission's Community Health Care Investment and Consumer Involvement (CHICI) Committee held a meeting on Monday, June 17, 2013 at the Daley Room of the Center for Health Information Analysis at Two Boylston Street, Boston, MA.

Committee members present were Dr. Paul Hattis, Chair, Mr. Rick Lord, Ms. Veronica Turner, Ms. Jean Yang, and Ms. Candice Reddy, designee for Mr. Glen Shor, Secretary of Administration and Finance.

Commission Chair Stuart Altman was also present.

Chair Hattis called the meeting to order at 9:56 AM.

ITEM 1: Committee Minutes

Chair Hattis made no changes to the minutes and asked for a motion to accept the minutes. Ms. Turner moved to accept the Committee minutes from April 10, 2013 and Mr. Lord seconded. The committee unanimously accepted the minutes.

ITEM 2: Discussion of Applications for One-Time Assessment Mitigation

Mr. Seltz updated the Committee on the status of the one-time assessment. He said the funding comes from hospitals and surcharge payers and the entities can elect to pay the sum in full during the first year or in installments over four years.

Of the total $225 million assessed, $60 million comes from hospitals. Mr. Seltz noted that the staff used fiscal year 2010 operating surplus to calculate the nine hospitals that qualified to pay the assessment. The remainder of the money ($165 million) comes from surcharge payers. Thus far, the staff has verified data, sent invoices, and began to collect the first year payment.

Under Chapter 224, the Commission can mitigate up to 66% of a given hospital's assessment. The legislation does not outline criteria for the Commission to judge mitigation applications. To date, the Commission has received eight applications for mitigation (three from CareGroup hospitals, four from Partners hospitals, and one from Children's Hospital).

To evaluate the applications, the staff focused on (1) the rationale for mitigation included by hospital in each application, (2) recent trends in relative financial strength across multiple metrics, and (3) the impact of awarding mitigation on the Distressed Hospital Fund. Recent trends in relative financial strength showed that the operating surplus of Children's Hospital and the CareGroup hospitals declined between fiscal year 2010 and fiscal year 2012, while the operating surplus of three of the four Partners' hospitals increased during the same period. The fourth hospital, Martha's Vineyard, moved from a positive surplus to a negative surplus. Mr. Seltz highlighted that, if the assessment were run today, Martha's Vineyard would not have been included.

Mr. Seltz then presented the staff's proposal to award 50% partial mitigation to Children's Hospital, the CareGroup hospitals, and Martha's Vineyard. This partial mitigation was adopted in the interest of balancing the needs of these hospitals and those distressed hospitals that would benefit from the Fund. If this mitigation were adopted, the net impact on the Distressed Hospital Fund would be a reduction of $2.3 million each year for four years.

Commissioner Yang asked how much is available in the Distressed Hospital Fund. Mr. Seltz detailed that the first payment, in fiscal year 2013, will be $42.2 million but would be reduced by $2.3 million with the mitigation proposal. Over the following three years, the payment would be $28.6 million with an annual reduction of $2.3 million each year pending the approval of the mitigation proposal. Dr. Hattis clarified that the Fund would be reduced, at most, by 7% following the approval of the mitigation proposal.

Commissioner Turner asked why the payments were reduced annually by 50% instead of just one time. Mr. Seltz answered that the mitigation is for the total amount of the Assessment which is paid over four years; therefore, the 50% is taken off of each payment into the fund. Commissioner Yang voiced her support for the recommendation.

Chair Hattis discussed that the Legislature created the opportunity for mitigation but did not give the HPC a criteria on how to approve applications, allowing the staff to make the determination. Chair Hattis voiced his support for the staff recommendation.

Chair Altman also voiced his support for the staff proposal and agreed with Commissioner Yang that it strikes a good balance.

Dr. Hattis read the motion to approve the proposal: *That the Community Health Care Investment and Consumer Involvement Committee hereby approves the proposed assessment mitigation for certain providers, in accordance with the materials attached hereto and pursuant to section 241(c) of chapter 224 of the acts of 2012, and recommends that the Commission approve this proposed assessment mitigation at the next Commission meeting.*

Mr. Lord moved to approve the motion. Ms. Turner seconded the motion. Committee voted unanimously to move motion on to the full Commission for its approval.

ITEM 3: Update on Distressed Hospital Fund

Mr. Seltz provided an update on the Distressed Hospital Fund. He noted that the Distressed Hospital Fund is financed through a One-Time Assessment of $128.25 million, paid over four years. In distributing the Fund, there will be a competitive proposal process and strict eligibility criteria. Any unexpended funds can roll over into the next year.

Mr. Seltz outlined some key decisions that need to be made about the Fund in the coming months. Chief among these were how much should be provided in any one year and whether there should be multiple phases of grant processes.

Mr. Seltz noted that the assessment is deposited at the end of the fiscal year. The first installment will be paid prior to June 30, 2013, or the end of fiscal year 2013. The first payment is expected to be $74.2 million. Of this installment, the Distressed Hospital Fund will receive $42.2 million less any mitigation proposal approved by the Commission. Mr. Seltz noted that this amount represents one third of the total Fund over four years since many payers opted to pay in full during the first year.

For the second through fourth years, Mr. Seltz noted that the fund is scheduled to receive $28.6 million each year less any mitigation proposals. He mentioned that the HPC cannot expend the funds in anticipation of collecting them, meaning that the second round of grants cannot be awarded until June 30, 2014.

Chair Altman encouraged commissioners to help staff set the eligibility criteria. He also spoke about the word "distressed" and encouraged the HPC to consider renaming this fund. He pointed out that hospitals could technically be distressed because of a negative margin but not necessarily distressed in the lexicon of the HPC. He noted that the HPC does not want to dispense funding to institutions that are not meeting the needs of the community.

Chair Hattis envisioned a multi-stage grant process which includes planning, design, and implementation stages. He encouraged the staff to include the stated purpose for monies and needs of institutions in the criteria.

Ms. Reddy noted that the staff should work with other agencies to see which institutions are currently being funded and by whom. Commissioner Lord echoed this notion and encouraged the staff to coordinate with other agencies to not duplicate other investments. Mr. Seltz affirmed that this coordination is already occurring.

Chair Hattis noted that there has to be a consideration of the amount that the Fund is able to invest and the total amount of money needed by the institution to achieve a goal so that the money given to institutions can make real improvements.

Commissioner Yang asked about the potential for a return on investment once the hospital was no longer distressed. Mr. Seltz noted that the statue does not allow for repayment. Chair Altman said that the repayment would be for the community in the form of more efficient care at a lower cost and higher quality.

Finally, Mr. Seltz reviewed the timeline for the remainder of calendar year 2013. He noted that the timeline was aggressive. By fall, the staff plans to have the final regulations complete with a goal of dispersing the first phase of grant money by the end of the calendar year.

Chair Hattis showed his support for this timeline and encouraged Committee members to look at the staff's criteria and consider methods of phasing the grant distribution.

ITEM 4: **Public Comment**

An audience member suggested that the Committee make use of statistical information on underserved populations to ensure that money goes to communities in need. Dr. Hattis affirmed that the distribution of the funding will be based on the community as well as the institution.

ITEM 5: Adjournment

Chair Hattis adjourned the meeting at 10:41 AM.