

Health Policy Commission

Board Meeting
December 18, 2013



Agenda

- Approval of Minutes from November 20, 2013 Meeting
- Executive Director Report
- Care Delivery and Payment System Reform
- Quality Improvement and Patient Protection
- Community Health Care Investment and Consumer Involvement
- Cost Trends and Market Performance
- Schedule of Next Commission Meeting

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Vote: Approving Minutes

Motion: That the Commission hereby approves the minutes of the Commission meeting held on November 20, 2013, as presented.

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Upcoming Meetings

Wednesday, January 8, 2014

Health Policy Commission (HPC) Board Meeting

12:00PM – 3:00PM

1 Ashburton Place, 21st Floor, Boston, MA

Wednesday, January 22, 2014

HPC Advisory Council Meeting

12:00PM – 2:00PM

Two Boylston Street, 5th Floor, Daley Conference Room, Boston, MA

Monday, January 27, 2014

Health Policy Commission (HPC) Board Meeting

12:30PM– 3:30PM

LOCATION TBA

Key Upcoming Activities

- Release executive summary of cost trends hearing
- Issue final cost and market impact review report on Partners-South Shore Hospital
- Release annual cost trends report in January 2014
- Release Phase 1 funds in response to the competitive CHART grant program request for proposals (RFP) in January 2014
- Propose regulations on the registration of provider organizations
- Finalize program design and evaluation plan for phased implementation of PCMH certification
- Update material change notice guidance and forms
- Propose regulations on the cost and market impact review process
- Develop program for certification of accountable care organizations

Key 2013 Accomplishments

- Established the health care cost growth benchmark for 2013 -2014 (3.6%)
- Issued guidance on the prohibition of mandatory nurse overtime
- Transferred the Office of Patient Protection (OPP) to the HPC and proposed consumer-friendly enhancements to OPP's governing regulations
- Administered the first year's collection (\$72M) of a one-time \$225M industry assessment to invest in wellness and prevention programs, community hospitals, workforce transformation and training, and payment delivery reforms
- Received and reviewed providers' notices of material change; initiated four CMIRs
- Held first annual hearing on health care cost trends (October 2013)
- Launched first analysis of the all-payer claims (APCD) database to enhance research and analysis work
- Formed an Advisory Council of leaders from across the health care field to guide Chapter 224 implementation
- Solicited and received proposals for Phase 1 of the Community Hospital Acceleration, Revitalization, Transformation (CHART) Investment Program
- Framework development for early 2014 work on Patient-Centered Medical Homes (PCMH) and Accountable Care Organization (ACO) programs
- Engaging with the public through a total of 42 public meetings

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 - CHART Investment Program
- Cost Trends and Market Performance
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 - Cost Trends and Market Performance
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Community Hospital Acceleration, Revitalization, and Transformation

Charting a course for the right care at the right time in the right place

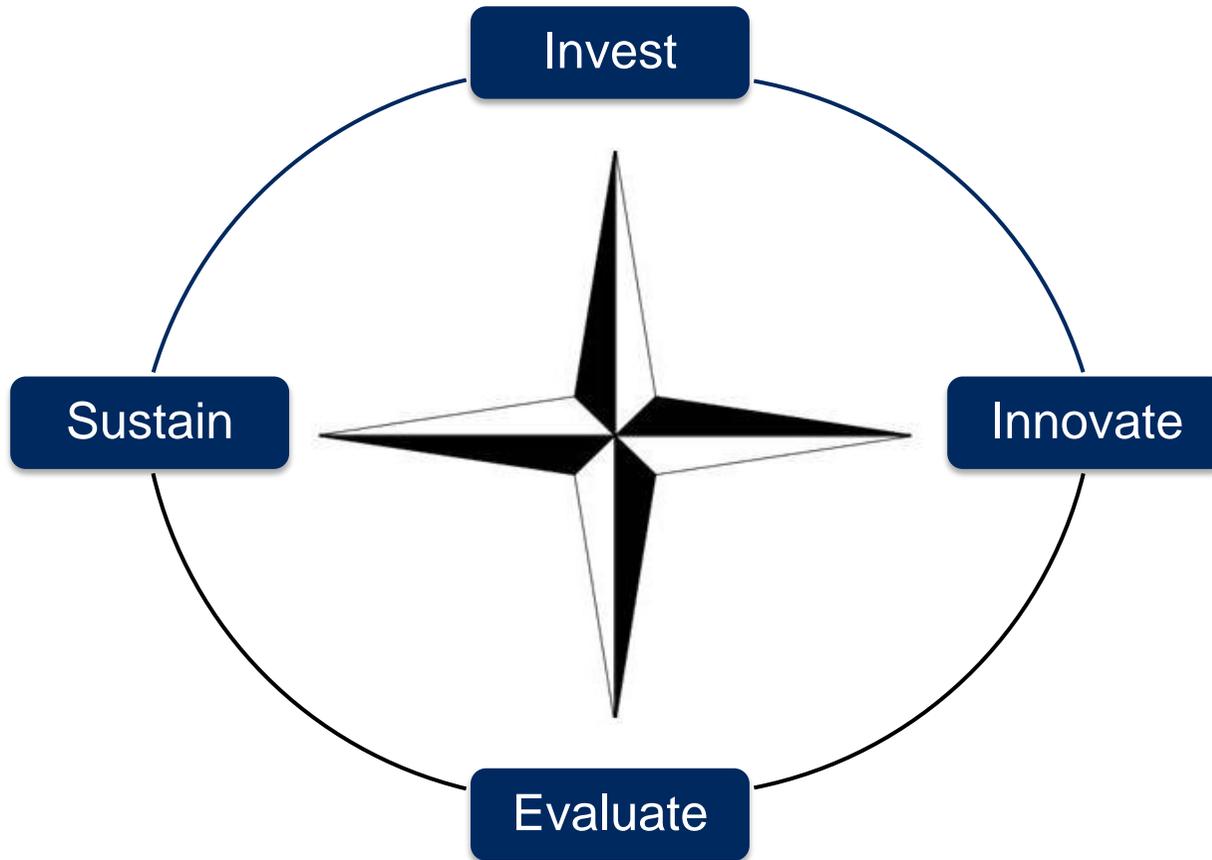


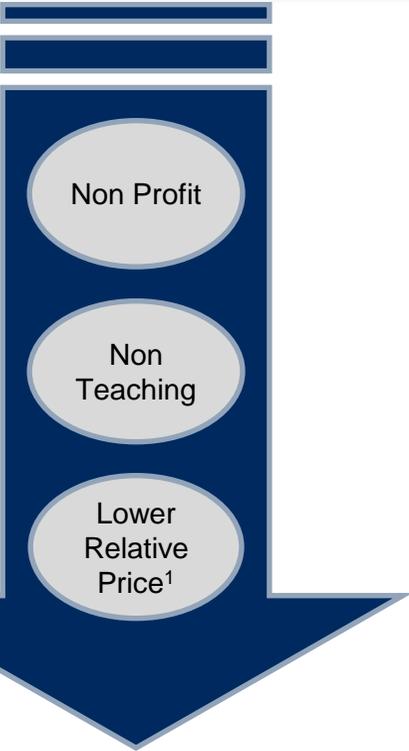
CHART Phase 1 Hospital Eligibility, as determined by Chapter 224 of the Acts of 2012

78 Massachusetts Acute Care Hospitals

C. 224 excludes acute care hospital or health system with for-profit status

C. 224 excludes major teaching hospitals

C. 224 excludes hospitals whose relative prices are determined to be above the statewide median relative price



- | | | | |
|----------------------------------|---|--|--|
| Anna Jaques Hospital | Harrington Memorial | Lahey Health – Beverly and Addison Gilbert Hospitals | North Adams Regional Hospital |
| Athol Memorial Hospital | HealthAlliance | Lawrence General | Shriners Hospital (Boston) |
| Baystate Franklin Medical Center | Hallmark Health – Lawrence Memorial and Melrose-Wakefield Hospitals | Lowell General | Signature Healthcare Brockton Hospital |
| Baystate Mary Lane Hospital | Heywood Hospital | Mercy Medical Center | Southcoast Hospitals Group – Charlton, Tobey, and St. Luke’s Hospitals |
| BID – Milton | Holyoke Medical Center | Milford Regional Hospital | UMass Marlborough Hospital |
| BID – Needham | Jordan Hospital (BID-Plymouth) | New England Baptist Hospital | UMass Wing Hospital |
| Emerson Hospital | | Noble Hospital | Winchester Hospital |

¹A weighted average of relative prices (by payer mix) was calculated using 2011 and 2012 data from the Center for Health Information and Analysis for all commercial payers, Medicare Advantage, and all MMCOs. This eligibility list is valid for Phase 1 only.

The Health Policy Commission received 28 proposals

Applicant	Pathway	Request
Addison Gilbert Hospital	B	\$ 494,900
Anna Jaques Hospital	B	\$ 500,000
Athol Memorial Hospital	A, B, C	\$ 499,335
Baystate Franklin Medical Center	B, C	\$ 497,400
Baystate Mary Lane Hospital	A, B, C	\$ 499,600
Beverly Hospital	B	\$ 496,250
BID - Milton Hospital	B	\$ 500,000
BID - Needham Hospital	B	\$ 500,000
Emerson Hospital	B	\$ 500,000
Harrington Memorial Hospital	B, C	\$ 491,600
HealthAlliance Hospital	A, B	\$ 499,178
Heywood Hospital	A, B, C	\$ 371,591
Holyoke Medical Center	B	\$ 500,000
Jordan Hospital	B	\$ 480,000
Lawrence General Hospital	B	\$ 500,000
Lawrence Memorial Hospital	A, B	\$ 461,834
Lowell General Hospital	A, B, C	\$ 500,000
Melrose-Wakefield Hospital	A, B	\$ 493,504
Mercy Medical Center	B	\$ 223,134
Milford Regional Medical Center	A, B, C	\$ 499,810
Noble Hospital	B	\$ 499,957
North Adams Regional Hospital	B	\$ 442,336
Signature Healthcare Brockton Hospital	A, B, C	\$ 500,000
Southcoast - Charlton Memorial Hospital	B, C	\$ 500,000
Southcoast - St. Luke's Hospital	B, C	\$ 500,000
Southcoast - Tobey Hospital	B, C	\$ 500,000
UMMHC - Wing Memorial Hospital	B	\$ 500,000
Winchester Hospital	B	\$ 500,000

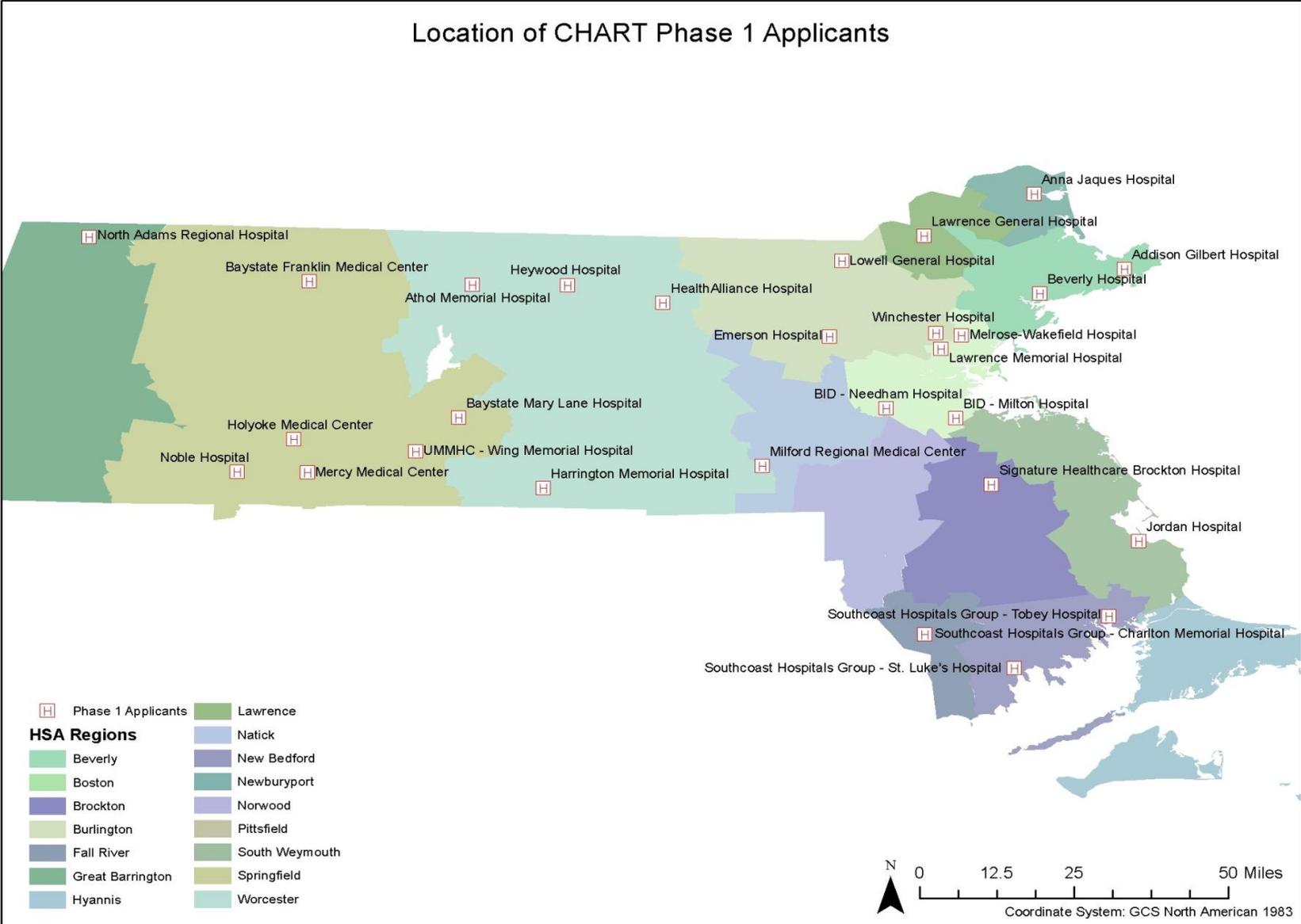


Partnering Organizations
63

Projects by Pathway
A: 9 B: 28 C: 11

Total Funding Requested
\$13,450,429

CHART Applicants span the Commonwealth



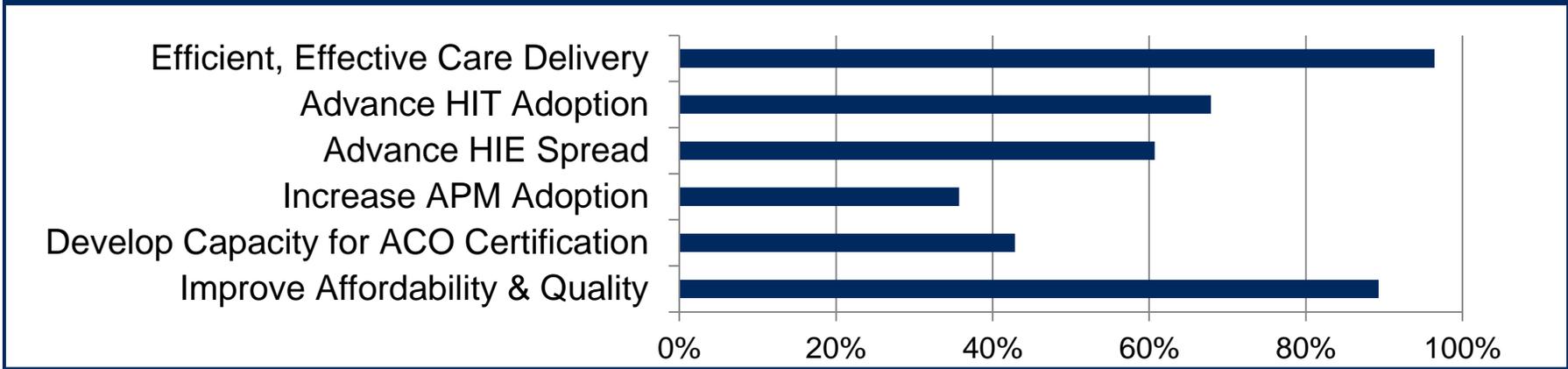
Phase 1 Applications touch many more partnering organizations

PARTNERING ORGANIZATIONS

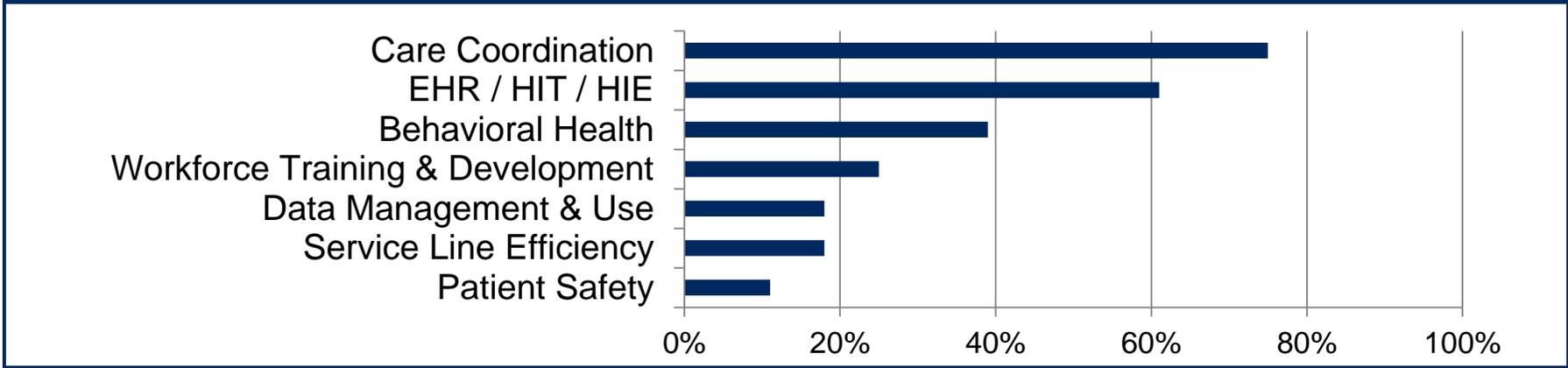
Athol Royaltson Regional School District	Golden Living of Plymouth	River Valley Counseling Center
Atrius Health	Greater New Bedford Community Health Center	Seven Hills Behavioral Health
Bayada Nursing	Hallmark Health Medical Associates	Southcoast CHW Collaborative
BID Healthcare - Dorchester	Hallmark Health VNA and Hospice, Inc.	Stafford Hill
Buckley Healthcare Center	HealthFirst Family Care Center	Stanley Street Treatment and Resources
Cape Cod VNA	Heywood Medical Group	Swift River Medical Assoc.
Charlene Manor Extended Care Facility	JCACO	The Warehem Board of Health
CHC of Franklin Co	Jordan Hospital - Transitional Care Unit	Tri-Valley, Inc.
City of New Bedford Public Health Department	Jordan Physician Associates	Turning Point (Faith-Based Organization)
Clinical & Service Options	Life Care Center of Plymouth	Valley Health Systems Organizations i.e.
Community Health Connections, Inc.	Morrissey Associates	Villanova University
Community Health Link	New England Quality Care Alliance	VNA of NE
Community HealthLink, Inc.	Norwell VNA	Voices for a Healthy Southcoast
Connecticut River Internists	Outcomengenuity	Wareham Area Clergy Council
EmCare	Pascal Metrics	Wareham Community Services Collaborative
Emeritus	Physician Advisory Committee	West Brookfield Family Practice
Emerson Hospital PHO	Plymouth Bay Medical Associates	Western Mass Physician Associates
Franklin Orthopedic Group	Plymouth Crossings	Winchester Community ACO
Garder Public Schools	Plymouth Rehabilitation Facility	Winchester Home Care
GBMP of Boston, MA	Poet's Seat Health Care Center	Winchester Physician Associates
Gentiva	Positive Action Against Chemical Addiction	Wingate Skilled Nursing Facility

Proposals reflect a wide variety of regulatory goals and program domains

Applicants self-reported regulatory goals (often more than 1 indicated per application)



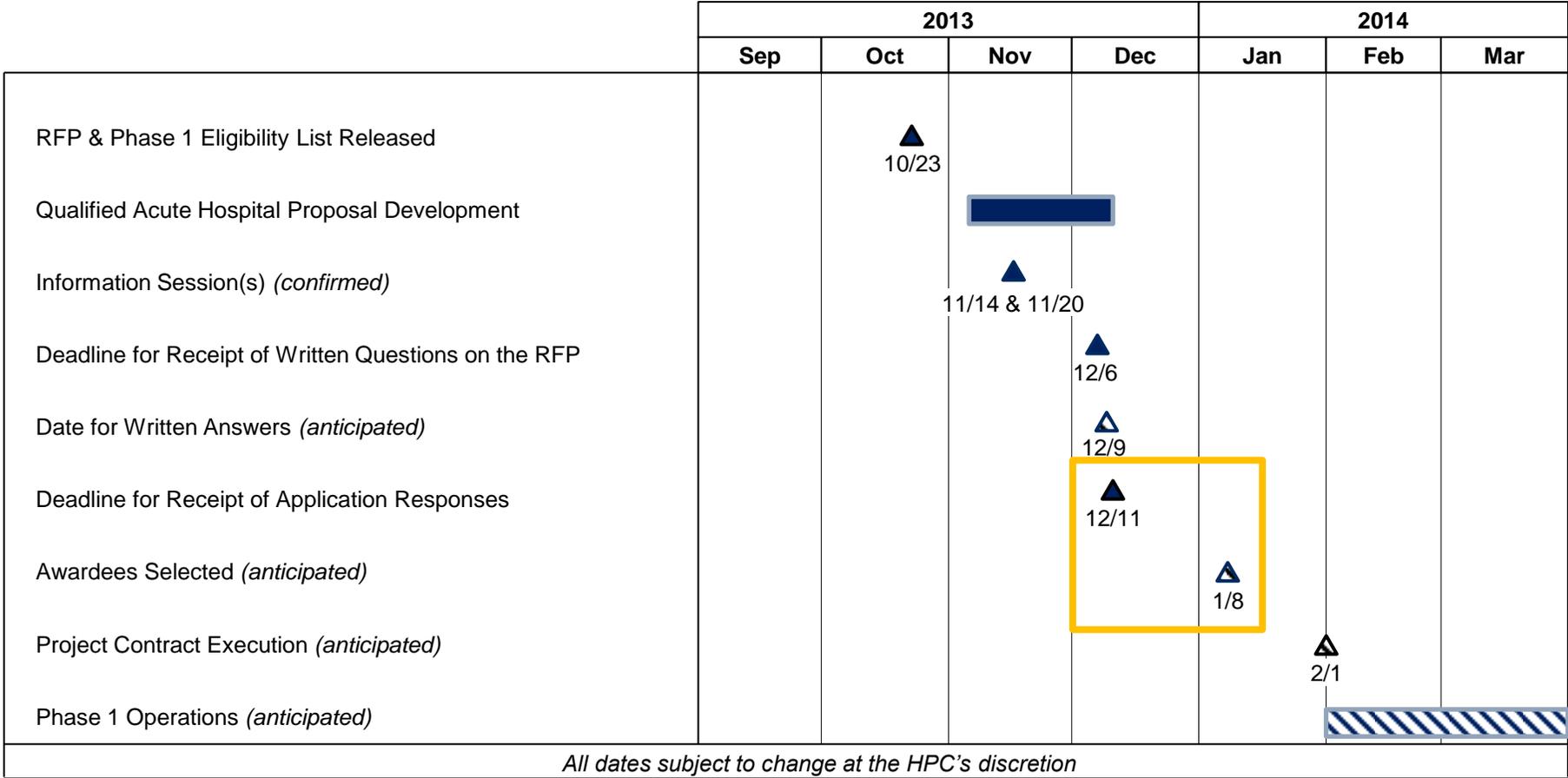
Staff identified program domains during preliminary Technical Review (often more than 1 indicated per application)



Designation of Commissioner Paul Hattis for CHART Phase 1 Review

After solicitation of Commissioner-interest in participating in detailed review and evaluation of CHART Phase 1 applications, Chairman Altman has designated Commissioner Paul Hattis to join staff on the CHART Investment Review Committee. Commissioner Hattis and key staff will provide a detailed review of all applications, and will return to the full Board with a proposed recommendation for awards. Given his role in review and evaluation, Commissioner Hattis will recuse himself from any vote related to allocation of Phase 1 funds.

CHART Phase 1 Anticipated Timeline



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 - Annual Cost Trends Report
 - Preliminary Report on Cost and Market Impact Reviews (CMIRs)
 - Pending CMIRs
- Schedule of Next Commission Meeting

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Overview of cost and market impact reviews

-
- Provider changes, including consolidations and alignments, have been shown to impact health care system performance and total medical spending
 - Chapter 224 directs the HPC to track “material change[s] to [the] operations or governance structure” of provider organizations and to engage in a more comprehensive review of transactions anticipated to have a significant impact on health care costs or market functioning
 - CMIRs promote transparency and accountability in engaging in market changes, and encourage market participants to minimize negative impacts and enhance positive outcomes of any given material change
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Statutory factors for evaluating cost and market impact

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- Unit prices
- Health status adjusted total medical expenses (TME)
- Provider costs and cost trends
- Provider size and market share within primary service areas and dispersed service areas
- Quality of services provided, including patient experience
- Availability and accessibility of services within primary service areas and dispersed service areas
- Impact on competing options for health care delivery, including impact on existing providers
- Methods used to attract patient volume and to recruit or acquire health care professionals or facilities
- Role in serving at-risk, underserved, and government payer populations
- Role in providing low margin or negative margin services
- Consumer concerns, such as complaints that the provider has engaged in any unfair method of competition or any unfair or deceptive act
- Other factors in the public interest

Process for cost and market impact reviews

Inputs

- Data and documents:
 - Parties' production
 - Publicly available information
 - Data from payers, providers, and other market stakeholders
- Support from expert consultants
- Feedback from Commissioners
- Information gathered is exempted from public records law, but the HPC may engage in a balancing test and disclose information in a CMIR report

Outputs

- Issuance of a preliminary report with factual findings
- Feedback from parties and other market participants
- Final report issued 30 or more days after preliminary report
- Proposed change may be completed 30 or more days after issuance of final report
- Potential referral to Massachusetts Attorney General's Office

Overview of transactions

Partners – SSH

- On Dec 21, 2012, Partners and SSH executed an Affiliation Agreement for SSH to become a fully-integrated, community-based member of the Partners system
- Key initiatives to implement the affiliation include a PCP initiative, an SCP initiative, and an IT initiative

Goal of Transaction

- To “pro-actively improve population health, expand access to needed health care services across the care continuum, and provide health care services in a more patient centered manner, with the goal of moderating the rate of growth of health care expenditures in Southeastern Massachusetts”

Partners – Harbor

- On July 19, 2013, Partners executed a Memorandum of Understanding to acquire Harbor Medical Associates
- Harbor will become a community-based, multispecialty physician business unit of the Brigham and Women’s Physicians Organization

Goal of Transaction

- “Pro-actively to improve population health, expand access to needed health care services across the care continuum, and provide health care services in a more patient centered manner, with the goal of moderating the rate of growth of health care expenditures in Southeastern Massachusetts.”

Description of the parties

Partners HealthCare System

- Partners is a non-profit public charity and the largest provider system in Massachusetts. It owns eight general acute-care hospitals (2,793 licensed beds) that operate in the following areas of Massachusetts:
 - *Boston*: MGH, BWH and Faulkner
 - *Metro-West*: Newton-Wellesley
 - *North Shore*: North Shore MC
 - *Cape and Islands*: Nantucket Cottage and Martha's Vineyard hospitals
 - *Pioneer Valley*: Cooley-Dickinson
- Its managed care network, PCHI, negotiates contracts for ~6,500 physicians. Partners also owns McLean Psychiatric Hospital, the Spaulding Network of Rehabilitation facilities, Partners HealthCare at Home, and Neighborhood Health Plan

South Shore Hospital

- SSH is a non-profit, acute care hospital located in Weymouth with 378 licensed acute-care beds. It has had a clinical affiliation with Partners' BWH since 2005.
- SSH jointly owns SSPHO with the independent group the Physician Organization of the South Shore. SSPHO negotiates and manages risk contracts for SSH and those ~400 physicians

Harbor Medical Associates

- Harbor is an independent 65 physician multispecialty practice and the largest medical group in SSPHO. Harbor provides primary care, family care and specialty services to adult patients in practice locations throughout the South Shore

Structuring an impact review

	Baseline Review	Impact Analysis
Costs	✓	✓
Quality and Care Delivery	✓	✓
Access	✓	✓

Structuring an impact review

	Baseline Review	Impact Analysis
Costs	✓	
Quality and Care Delivery		
Access		

Cost and financial metrics examined

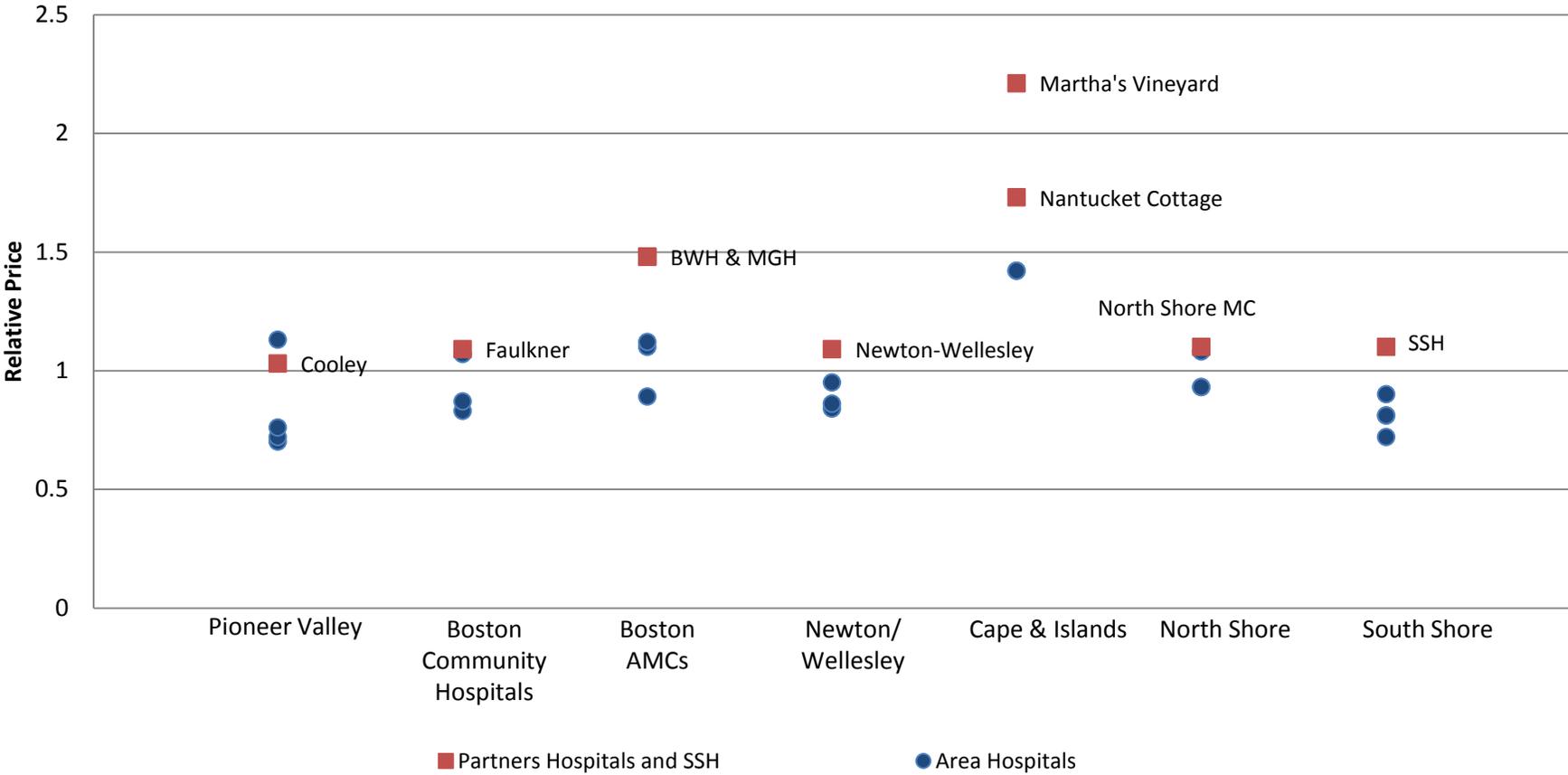
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- Financial ratios
 - Relative prices
 - Total medical expenses
 - Market share
-

Partners and SSH are in strong financial condition

- Over the last four years, Partners' total operating revenue increased by 18%, to ~\$9B in FY12
 - Partners' total net assets grew by 6.2% over this period, to \$5.3B, more than three times the aggregate of the next three largest Massachusetts systems combined
 - South Shore Hospital's parent corporation had net asset growth of 32.9% (\$44M) over the last four years
 - SSH has significantly greater net assets and revenue than other area hospitals
-

Partners and SSH receive higher prices than other area hospitals

Relative prices for SSH and Partners hospitals compared to other area hospitals
 BCBS 2012

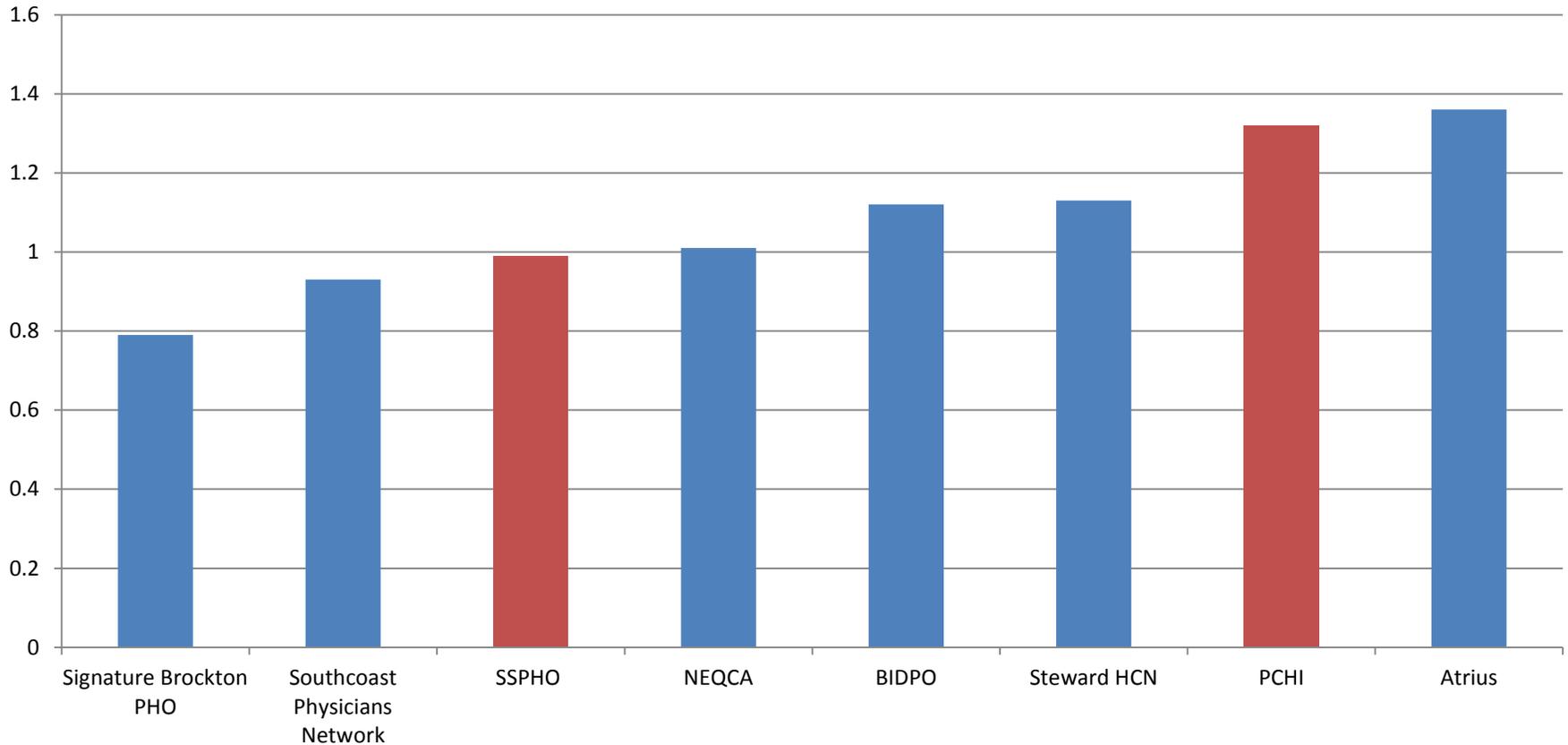


Area hospitals: **Pioneer Valley** (Baystate MC, Holyoke, Mercy MC, Noble); **Boston Community** (Carney, Norwood, St. Elizabeth's MC); **Boston AMCs** (BIDMC, BMC, Tufts MC); **Newton/Wellesley** (BID-Needham, Metrowest MC, Mt. Auburn); **Cape & Islands** (Cape Cod, Falmouth); **North Shore** (Addison-Gilbert, Beverly, Lahey, Lawrence Memorial, Melrose-Wakefield); **South Shore** (BID-Milton, Good Samaritan MC, Quincy,

PCHI receives higher physician prices than SSPHO/Harbor

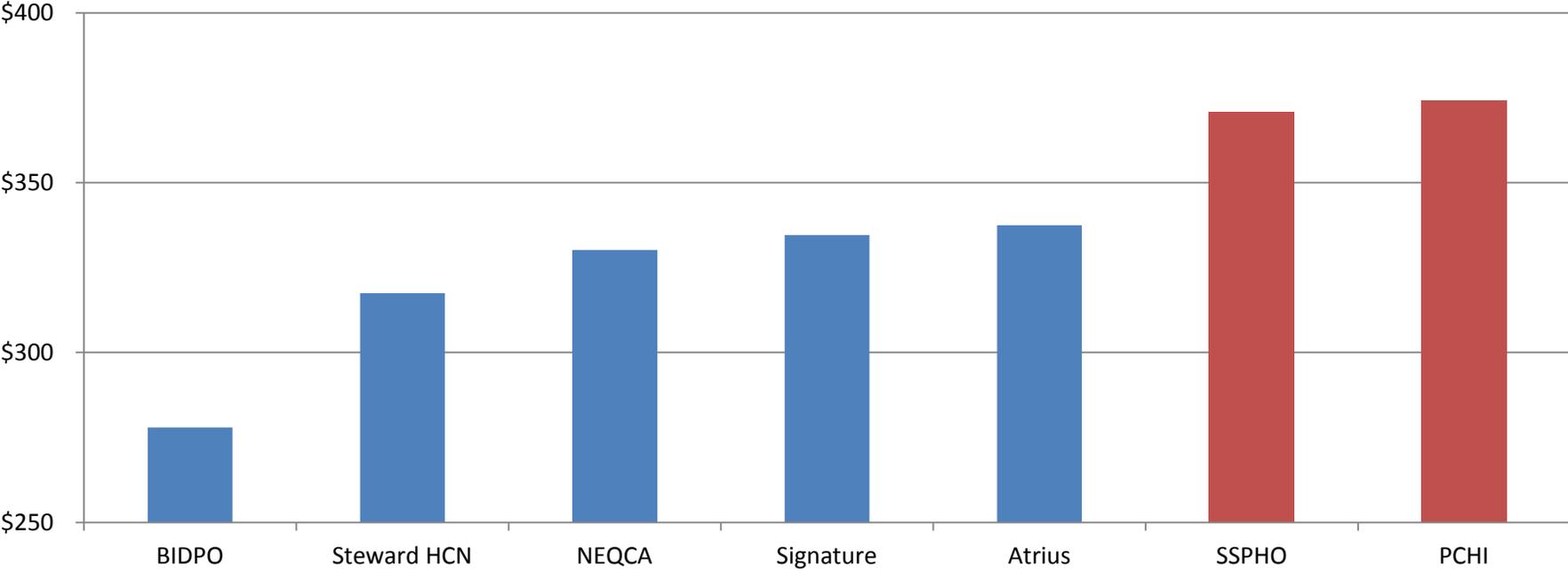
Relative prices for PCHI and SSPHO compared to other area physician groups

HPHC 2011



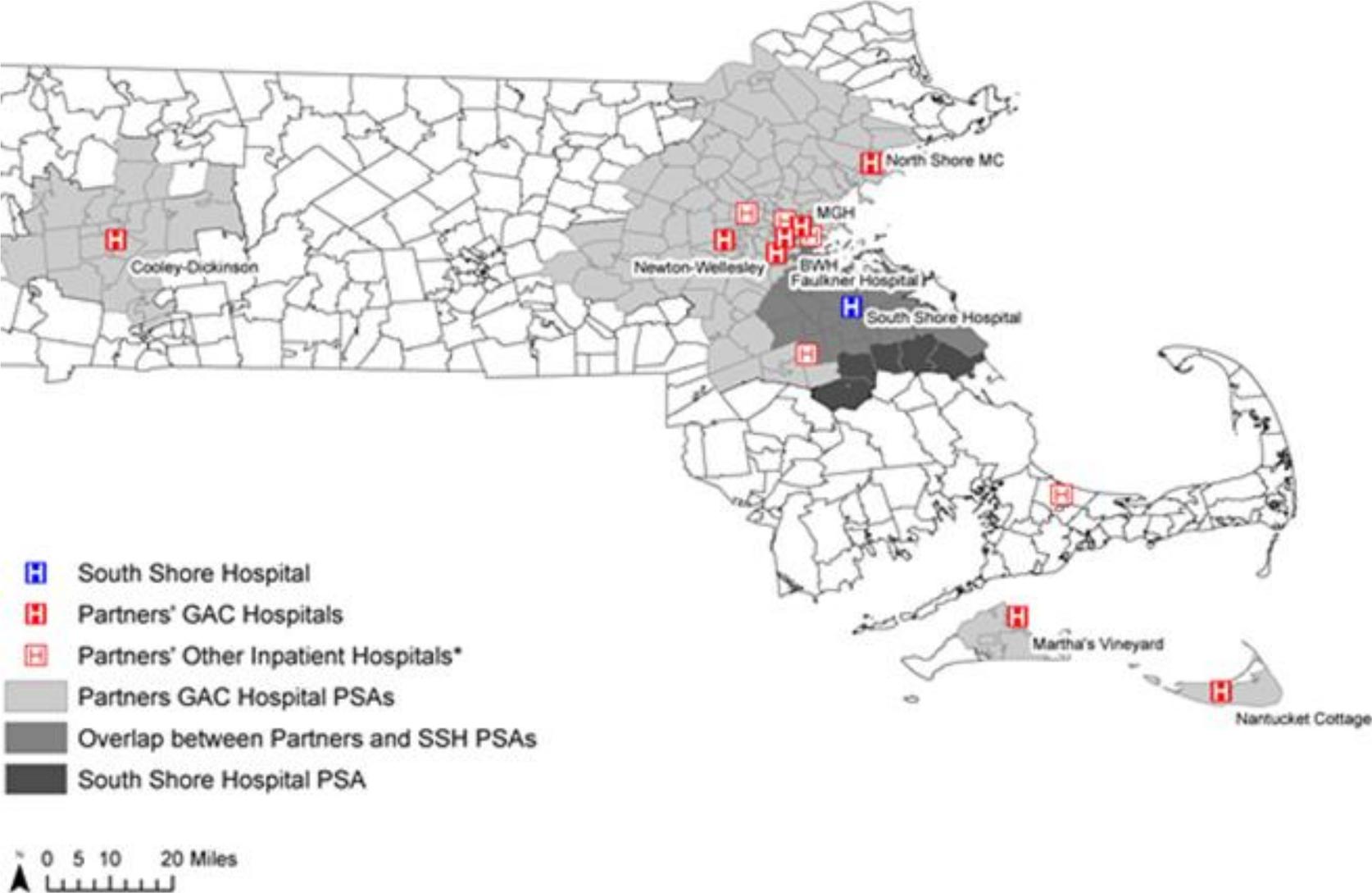
PCHI and SSPHO have higher TME than other area providers

Health status adjusted TME of PCHI and SSPHO compared to other area provider groups
THP 2011



Partners hospitals are located throughout Massachusetts

Primary service areas (PSAs) of Partners general acute care (GAC) hospitals and SSH
2011 hospital discharges



Source: MHDC Inpatient Discharge Database, 2011; Coordinate System: HCS WGS1984 WGS 1984

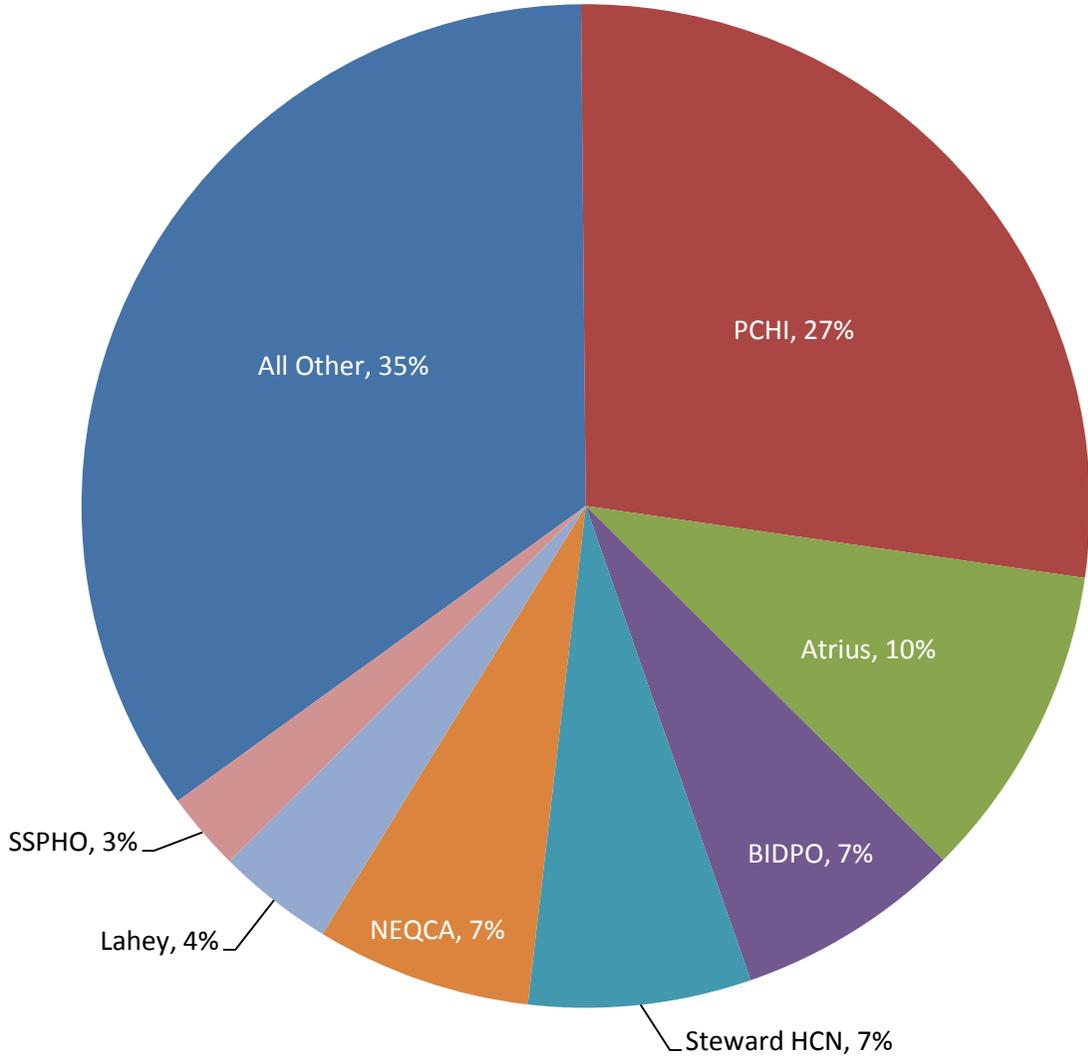
* Includes Spaulding Rehabilitation and McLean Psychiatric Hospital inpatient campuses

SSH and Partners combined have a 50% share of the commercial inpatient market in SSH's primary service area (PSA)

Commercial inpatient market share in SSH's PSA 2011 hospital discharges		
Hospital System	Commercial Discharges	Market Share
South Shore Hospital	7,927	26%
Partners	7,586	24%
Beth Israel Deaconess	4,155	13%
Steward	3,988	13%
Signature	2,091	7%
Other	5,225	17%

PCHI and SSPHO are 30% of statewide physician revenue

Percentage of statewide physician revenue
BCBS, HPHC, and THP, CY 2011



Principal findings

- Partners and SSH are in strong financial condition
- Partners and SSH receive higher prices than other area providers; SSPHO does not
- PCHI and SSPHO have high TME, which is driven in part by the high relative price of their affiliated hospitals
- Partners and SSH have strong market share in SSH's PSA; PCHI has strong market share statewide

Structuring an impact review

	Baseline Review	Impact Analysis
Costs		
Quality and Care Delivery	✓	
Access		

Quality and care delivery metrics examined

-
- 100+ measures of inpatient and outpatient care
 - Structures of quality
 - Process measures
 - Outcome measures
 - Patient experience
 - Examined over time, across providers, and within provider systems
 - Compared parties to each other, to area providers, and to national and statewide benchmarks
-

Hospital performance

-
- SSH's performance exceeded the national average in 71% of inpatient measures
 - Partners' community hospitals exceeded the national average in 76% of measures
 - In the inpatient setting, the average performance of all Partners hospitals exceeds that of SSH on 59% of measures, but there is statistically significant variation in very few of the measures examined
-

Physician performance

-
- In the outpatient setting, both SSPHO and PCHI outperform the state averages
 - In the outpatient setting, SSPHO's average quality performance exceeds Partners' average in 61% of measures, and SSPHO's performance is comparable to the strongest PCHI local practice groups
 - In the outpatient setting, Partners slightly outperformed SSPHO in adult experience of care, while SSPHO outperformed Partners in pediatric experience of care
-

Principal findings

- Partners, SSH, and SSPHO (including Harbor) have high quality performance compared with national and state benchmarks
- Each party performs higher on certain measures, but there is very little material variation in performance between them

Structuring an impact review

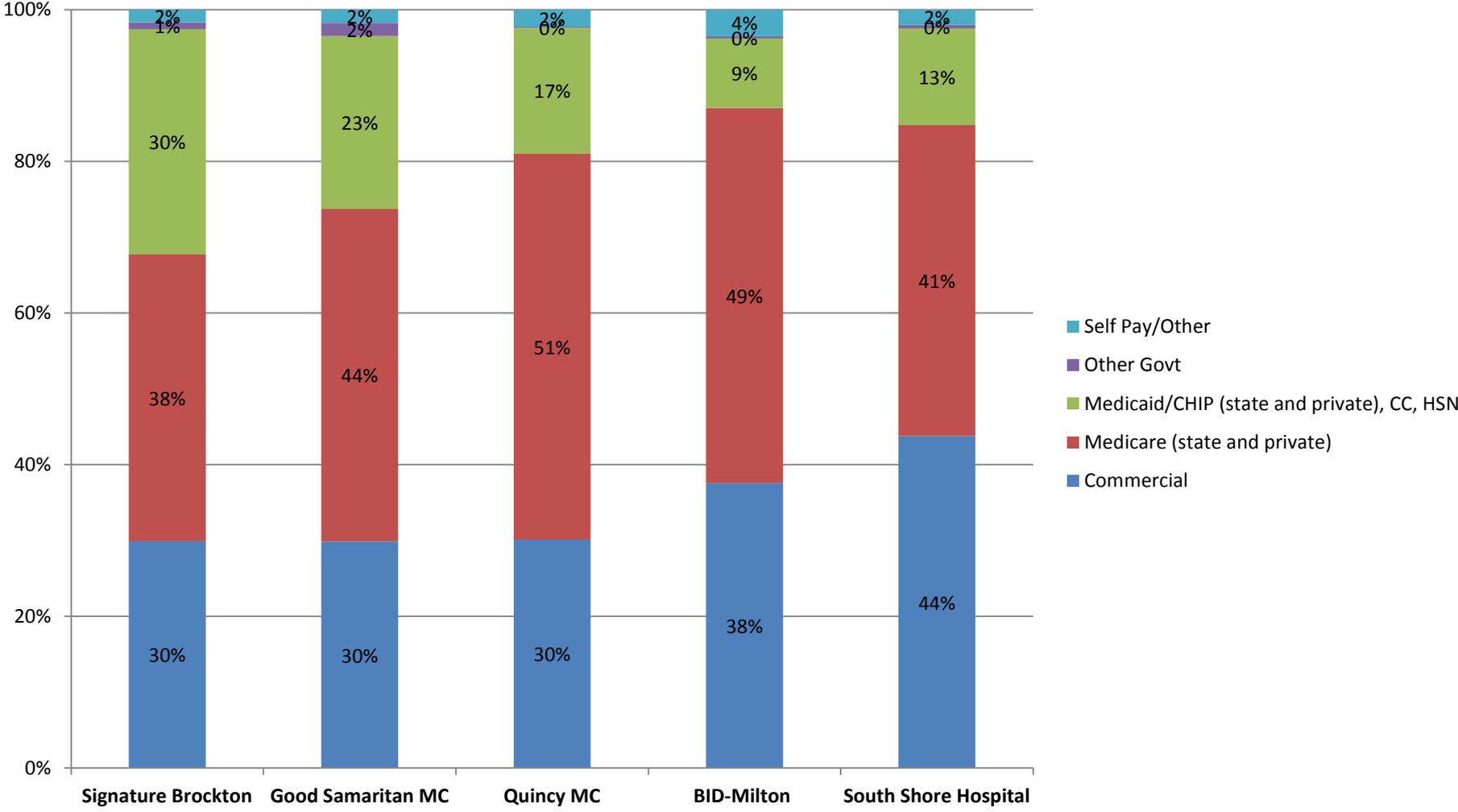
	Baseline Review	Impact Analysis
Costs		
Quality and Care Delivery		
Access	✓	

Metrics examined

-
- Hospital inpatient and outpatient payer mix by revenue, and inpatient payer mix by discharges
 - Hospital inpatient service mix by discharges
 - Examined each hospital's mix of total revenue
 - Examined the mix of discharges in SSH's PSA
-

Partners hospitals and SSH generally care have a higher commercial payer mix and lower Medicaid payer mix than other area hospitals

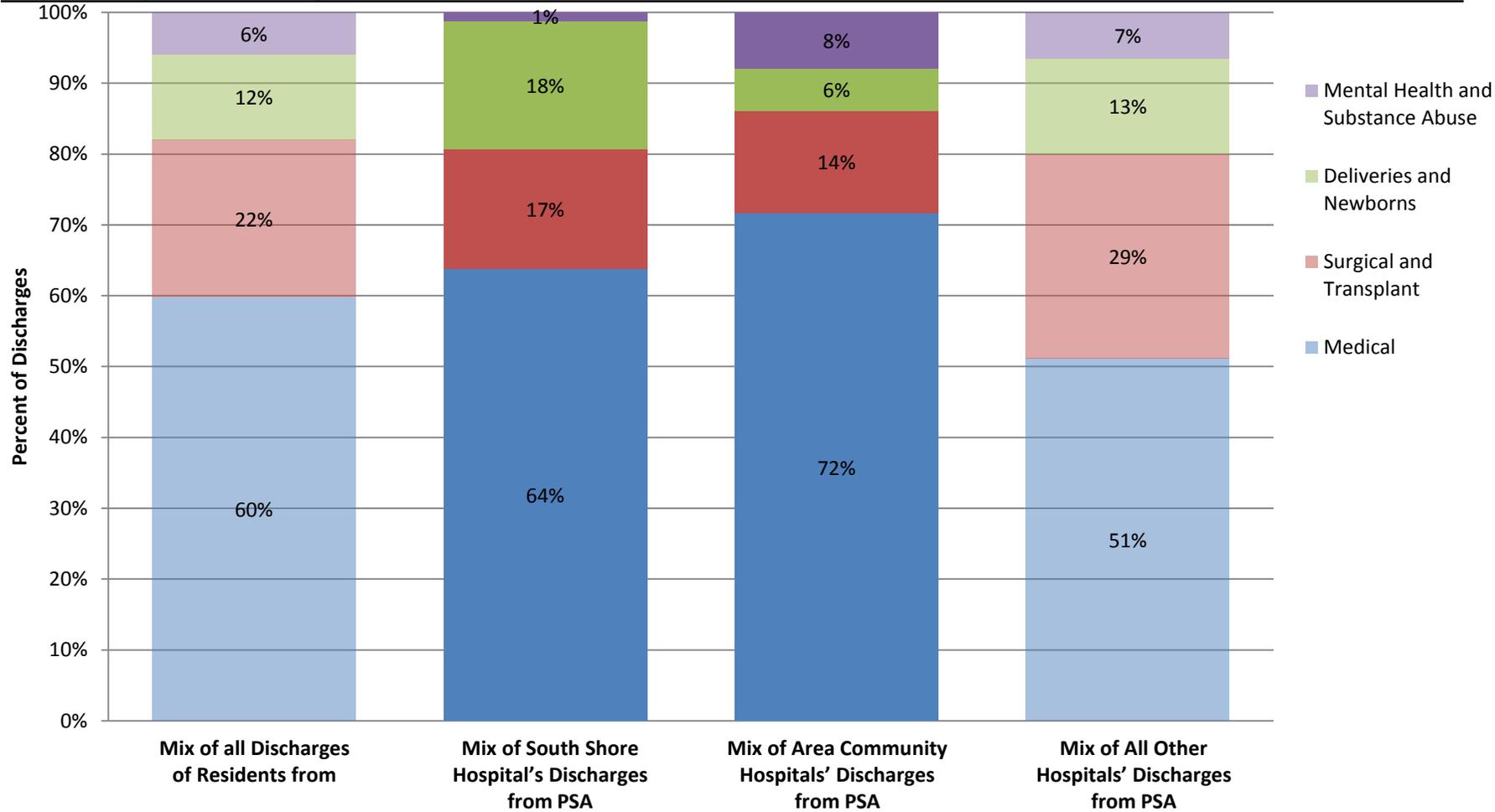
Example: Payer mix of SSH and other area hospitals
 FY12 inpatient + outpatient GPSR



Source: CTR. FOR HEALTH INFO. & ANALYSIS, *Hospital Data on Gross Patient Service Revenue, FY10-FY12 (HPC Analysis)*.

SSH provides a smaller share of behavioral health discharges and a larger share of deliveries than other area hospitals

Inpatient service mix of residents in South Shore Hospital's PSA
 2011 hospital discharges



Area Community Hospitals: BID-Milton Hospital, Good Samaritan Medical Center, Quincy Medical Center, and Signature Brockton Hospital

Principal findings

- Partners' hospitals and SSH generally have a higher commercial payer mix and lower Medicaid payer mix than other area hospitals
- SSH provides a smaller share of behavioral health discharges and a larger share of deliveries than other area hospitals

Structuring an impact review

	Baseline Review	Impact Analysis
Costs		✓
Quality and Care Delivery		
Access		

Questions examined

-
- Will prices change?
 - Will care shift to higher-priced providers?
 - Will market leverage increase?
-

Harbor's prices will increase; other SSPHO physicians may also join PCHI

Projected increases in spending for BCBS, HPHC, THP due to higher prices		
	Average Annual Increase (Years 1 to 3)	Average Annual Increase (Year 4 onward)
Harbor Medical Associates (65 physicians)	\$7.2 million dollars	\$8.0 million dollars
Additional SSPHO physicians (available room under current contracts)	\$6.0 million dollars	\$7.7 million dollars
Total annual increase in medical spending	\$13.2 million dollars	\$15.8 million dollars¹

¹ Total reflects rounding of decimals

SSPHO and PCHI physicians refer to a high-priced mix of hospitals; TME will increase if new physicians adopt these referral practices

- The parties have stated they will invest \$109M over five years for physician development, including recruiting 27 to 42 new PCPs.
- Based on observed industry practice, these PCPs may be recruited from area physician groups, which now refer to a lower-priced mix of hospitals.

Average price of referral hospitals used by area physician groups

	Area Physician Group 1	Area Physician Group 2	Area Physician Group 3	Area Physician Group 4	Area Physician Group 5	SSPHO
Average Price of IP Referral Hospitals	0.97	1.10	1.14	1.14	1.20	1.18
Average Price of OP Referral Hospitals	0.90	0.97	1.01	1.04	1.00	1.15

- Shifts in referral patterns to increased use of Partners/SSH facilities are anticipated to increase total medical spending by approximately **\$7.4 - \$10.6 million** annually for the three largest commercial payers.

DOJ/FTC merger guidelines thresholds

HHI threshold guidelines			
Post-Merger Market	HHI	Change in HHI	Presumption
Moderately concentrated	1,500 to 2,500	> 100	Potentially raises significant competitive concerns and often warrants scrutiny
Highly concentrated	> 2,500	100 to 200	Potentially raises significant competitive concerns and often warrants scrutiny
		> 200	Presumed to be likely to enhance market power

Changes in market concentration far exceed thresholds above which an increase in market power for the Partners/SSH system is presumed

Changes in HHIs in SSH PSA 2011 discharges		
	HPC Definition of SSH PSA	SSH Definition of Its PSA
Pre-Merger HHI	1,726	2,847
Post-Merger HHI	2,979	4,131
HHI Change	+1,254	+1,284

Principal findings

- As SSPHO physicians join Partners, there will be changes in physician prices that increase TME. Whether and how physicians may begin receiving PCHI prices are governed by renegotiable contract provisions.
- Changes in referral patterns are anticipated to increase utilization of Partners and SSH facilities, thereby increasing total medical spending as Partners and SSH are generally higher-priced than their competitors.
- Changes in market concentration far exceed thresholds above which an increase in market power for the Partners/SSH system is presumed.
- Total medical spending will increase if facility fees are added to Harbor's clinic or ancillary visits.

Structuring an impact review

	Baseline Review	Impact Analysis
Costs		
Quality and Care Delivery		✓
Access		

Questions examined

-
- What is the parties' experience in population health management? Are there successes to learn from?
 - Based on historic performance, what is the scope for cost savings?
 - How are any cost savings dependent on a corporate acquisition?
-

Partners' experience in accountable care initiatives show potential for improving quality and efficiency, but the anticipated costs far exceed the potential savings

- Potential quality improvements based upon past performance and available evidence
 - Potential savings for South Shore's Medicare population:
 - Partners' 2006 Medicare Demonstration Project for High Cost Beneficiaries
 - Partners' performance in Year 1 of the Pioneer ACO program
 - Based on historic levels of savings achieved, the anticipated costs from these transactions far exceed the potential savings
-

Examining the necessity of a corporate acquisition

- The level of investments (~\$200 million) as described by the parties may well be difficult for SSH to finance on its own
 - At the same time, SSH and SSPHO have a history of high quality performance similar to Partners
 - SSH and SSPHO have been managing care under risk contracts for many years including strong performance in the AQC; Harbor recently began bearing risk for Medicare patients
 - The necessity of a corporate acquisition is not consistently supported by the experience of the parties and other providers in alternate organizational models
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Principal findings

- Partners' PHM experience shows potential for improving care delivery
- The anticipated costs of the transactions far exceed the potential savings
- The necessity of a corporate acquisition is unclear

Structuring an impact review

	Baseline Review	Impact Analysis
Costs		
Quality and Care Delivery		
Access		✓

Principal findings

- Partners hospitals and SSH generally care have a higher commercial payer mix; SSH provides a lower mix of inpatient behavioral health services than other area hospitals
- The parties have generally described plans for PHM that include developing behavioral health and other services; they did not identify any plans for specific service line changes or outreach to populations that would lead us to project changes in their hospital payer mix and service mix
- Harbor has indicated it will begin accepting new MassHealth primary care patients following the transactions

Conclusions

- **Cost Impact:** these transactions are anticipated to increase total medical spending by \$23 million to \$26 million each year as a result of increases in Harbor/SSPHO physician prices and increased utilization of Partners and SSH facilities; spending will also increase if facility fees are added to Harbor's services; the potential cost impact of increased ability to leverage higher prices and other favorable contract terms is significant but is not included in the above projection. These increases in spending are anticipated to far exceed potential cost savings from expansion of Partners' PHM initiatives into the South Shore.
- **Care Delivery Impact:** Partners' work on PHM demonstrates potential for improving care delivery. Given SSH and SSPHO's historically strong performance and experience managing risk, it is unclear how corporate ownership of the parties is instrumental to raising quality performance in the South Shore.
- **Access Impact:** Partners and SSH have not proposed specific changes in services that would cause the HPC to anticipate changes to their existing hospital service mix and payer mix trends.

Next steps

- Per M.G.L. c. 6D, § 13, the HPC issues a preliminary report
- The parties have 30 days to respond to our findings (January 17, 2014)
- The Commission issues a final report
- The parties may not close the transactions until at least 30 days following the issuance of the final report

Vote: Issuance of a preliminary report for cost and market impact review

Motion: That, pursuant to section 13 of chapter 6D of the Massachusetts General Laws, the Commission hereby approves and authorizes the issuance of the attached preliminary report on the cost and market impact reviews of the proposed acquisitions of South Shore Hospital and Harbor Medical Associates, P.C. by Partners HealthCare System, Inc.

Agenda

- Approval of Minutes from November 20, 2013 Meeting
- Executive Director Report
- Care Delivery and Payment System Reform
- Quality Improvement and Patient Protection
- Community Health Care Investment and Consumer Involvement
- Cost Trends and Market Performance
 - Annual Cost Trends Report
 - Preliminary Report on Cost and Market Impact Reviews (CMIRs)
 - **Pending CMIRs**
- Schedule of Next Commission Meeting

Lahey's acquisition of Winchester Hospital: Basis for review

Description of transaction

- Lahey proposes acquiring Winchester Hospital and its operating affiliates, including the 80-physician Winchester Physician Associates (WPA) and several outpatient and ancillary centers.
- The parties have described their objectives as rationalizing and improving the quality and delivery of care to their service areas at materially lower aggregate costs to the Commonwealth than those resulting from over-reliance (unrelated to access, cost or quality) on higher cost medical centers.

Basis for review

- Lahey's service area (north of Boston) recently became more concentrated when Northeast Health System joined the Lahey Clinic to form the four-hospital Lahey Health System. This transaction would add a fifth hospital to that system from the same region. This proposed increase in market concentration raises competitive concerns, including the potential for Lahey to leverage higher prices through joint contracting with Winchester.
- Other factors reinforce the cost and market significance of the proposed acquisition, e.g.:
 - TME may increase if Winchester redirects care from its current tertiary affiliate, Tufts Medical Center, to Lahey, which is generally higher priced than Tufts.
 - It is unclear what will happen to Winchester's lower-priced ancillary services, like its imaging joint venture with Shields Health Care Group, and whether lower prices will be maintained.
 - However, there could be cost savings as Lahey's physician prices are lower than those of WPA's current contracting affiliates.

Partners' acquisition of Hallmark Health System: Basis for review

Description of transaction

- Partners proposes acquiring Hallmark Health System, which operates Lawrence Memorial Hospital (LMH) in Medford, Melrose-Wakefield Hospital (MWH) in Melrose, and other outpatient and ancillary facilities north of Boston.
- The transaction includes significant restructuring of services at North Shore Medical Center (NSMC), LMH, and MWH.
- The parties have described their objectives as better coordinating care through population health management, making better use of health care resources, providing care in the most appropriate location, making high quality care affordable and accessible, and moderating overall cost growth.

Basis for review

- This transaction would expand Partners' network by two hospitals north of Boston (where Partners already owns NSMC), and increase its total number of acute care hospitals from 8 to 10. This proposed increase in market concentration raises significant competitive concerns, including the potential for the resulting system to negotiate higher prices through increased bargaining leverage.
- Other factors reinforce the cost and market significance of the proposed acquisition, e.g.:
 - Hallmark's physicians could receive higher prices if they become owned by Partners.
 - The operation of LMH and other Hallmark facilities under the Massachusetts General Hospital license may permit increases in fees or prices.
 - Service restructuring may signify both challenges and opportunities for costs, quality & access.

Factors for review

- A. The impact of the proposed acquisition, in light of concurrent market developments, on **cost, quality, and access**, including
 - Prices
 - Total medical expenses
 - Patient care referral patterns
 - Competing options for care delivery
 - Quality of and access to care
 - B. **Physician dynamics**, including the Parties' plans for physician recruitment, compensation and management
 - C. The Parties' **size and market position in the geographies they serve**
 - D. The Parties' **role in serving at-risk, underserved, and government payer populations**, and in **providing low or negative margin services**
 - E. The Parties' **plans for population care management**, including the proposed integration of the Parties' governance, clinical, and business operations, and the projected **impact of those plans on quality, costs, and market dynamics**
 - F. Other factors concerning cost and market impact as the HPC may identify
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Vote: Authorizing the continuation of cost and market impact review

Motion: That the Commission hereby authorizes the continuation of the cost and market impact review of the proposed material change to Lahey Health System and Winchester Hospital, pursuant to section 13 of chapter 6D of the Massachusetts General Laws and the Commission's Policy 2013-01 (Process for Review of Notices of Material Change).

Vote: Authorizing the continuation of cost and market impact review

Motion: That the Commission hereby authorizes the continuation of the cost and market impact review of the proposed material change to Partners HealthCare System and Hallmark Health System, pursuant to section 13 of chapter 6D of the Massachusetts General Laws and the Commission's Policy 2013-01 (Process for Review of Notices of Material Change).

Agenda

- Approval of Minutes from October 16, 2013 Meeting
- Executive Director Report
- Care Delivery and Payment System Reform
- Quality Improvement and Patient Protection
- Community Health Care Investment and Consumer Involvement
- Cost Trends and Market Performance
- **Schedule of Next Commission Meeting (January 8, 2014)**

Contact Information

For more information about the Health Policy Commission:

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