

# Health Policy Commission

Administration and Finance Committee

February 19, 2014



# Agenda

- Fiscal Year 2013 Final Balance Sheet
- Fiscal Year 2014 Mid-Year Update
- CHART Investment Program Administrative Budget
- Fiscal Year 2015 Preview

# 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:

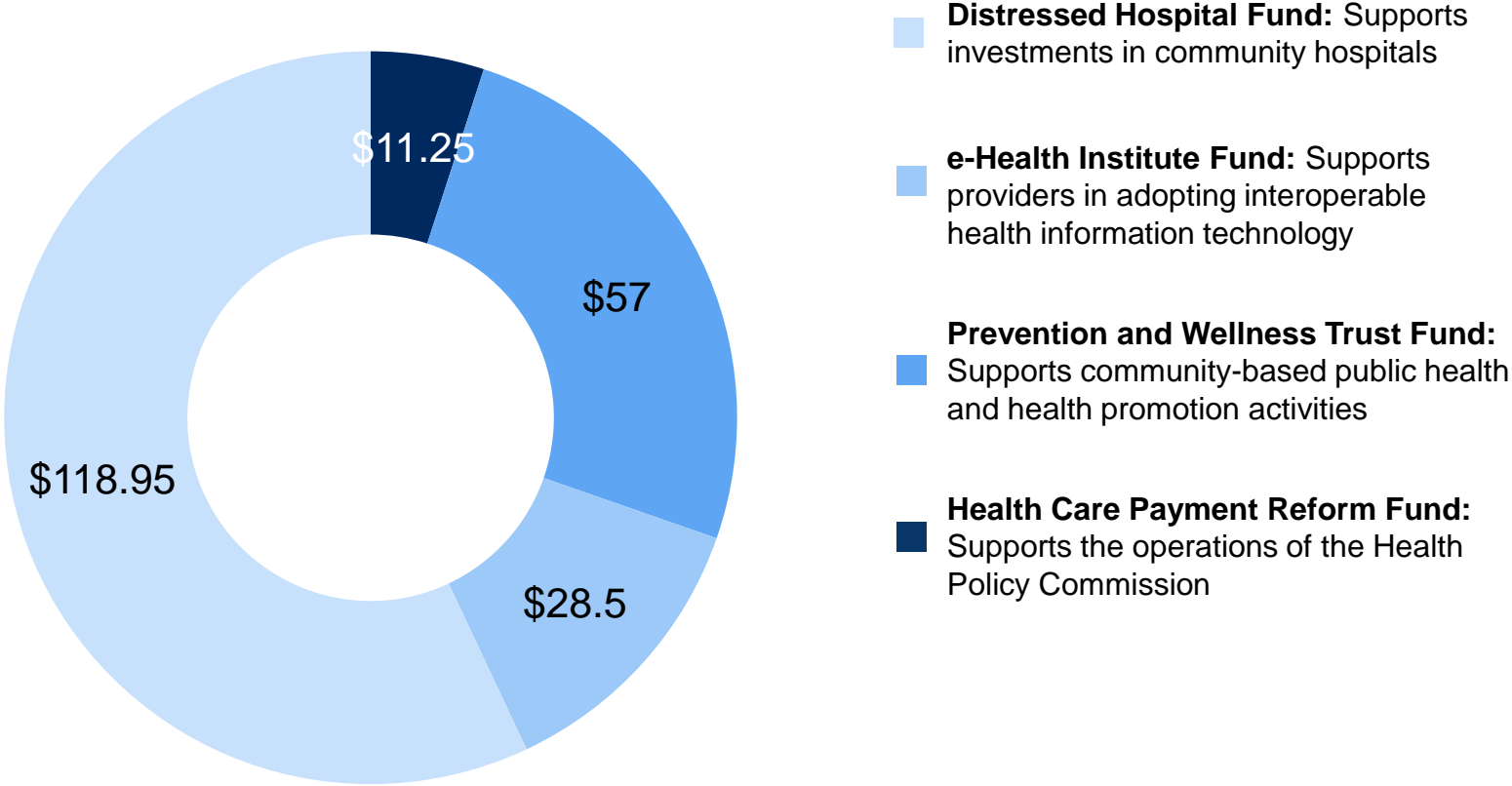
- review and recommend approval to the Board of an annual operating budget;
- conduct regular review of the Commission's financial controls, financial status, and financial reports, and make recommendations as needed to the full Board;
- oversee an independent audit of the Health Policy Commission; and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

# One-Time Industry Assessment

## Assessment Distribution

100% = \$225 million over four years

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# Health Care Payment Reform Trust Fund

## Receives funding from:

- \$11.25 million of the \$215 million assessment on certain hospitals and payers, collected in annual installments over four years (FY13-FY16)\*
  - HPC Board awarded mitigation to five hospitals. The total amount of the assessment is now approximately \$215 million.
- 23% of any one-time licensing fees collected by the Massachusetts Gaming Commission (approx. \$20 million per casino 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 fiscal year 2017)

## Primary purposes:

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

\* HPC awarded mitigation to five hospitals, lowering the total amount collected.

# Distressed Hospital Trust Fund

## Receives funding from:

- \$120 million of the \$215 million assessment on certain hospitals and payers, collected in annual installments over four years (FY13-FY16)
- Private sources such as gifts, grants, and donations
- Other amounts transferred to support interagency activities or as otherwise appropriated by the General Court

## Primary purposes:

- Community Hospital Acceleration, Revitalization, and Transformation (CHART) investment program
- Administrative costs related to the CHART investment program, including:
  - Program development
  - Program operations
  - Technical assistance
  - Awardee engagement and support
  - Monitoring and evaluation
- According to c. 224, 10% of the amounts held in the fund are available for administrative costs

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# Health Care Payment Reform Trust Fund – FY13 Final Balance Sheet

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- **FY13:** July 1, 2012 – June 30, 2013
  - The Board approved an HPC operating budget of **\$683,000** for FY13. This represented the first six months of HPC operations.
  - The first installment of the industry assessment generated \$3.735 million for the Health Care Payment Reform Trust Fund
    - This represents approximately 1/3 of the four-year total, as many surcharge payers opted for the “one lump sum” payment option
    - The decision by the HPC to authorize mitigation to certain hospitals did *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 (\$500,000)
    - Center for Health Information and Analysis (\$150,000)
    - Department of Public Health (\$34,000)
  - The HPC closed the fiscal year under budget, expending **\$625,707**. The HPC did not expend any of the first installment of the industry assessment. This entire amount (\$3.735 million) rolled over into the next fiscal year (FY14).
  - Unspent ISA dollars (\$57K) reverted to the sending agency.
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# FY13 Health Care Payment Reform Trust Fund - Final Balance Sheet

<b>FY13 - Health Care Payment Reform Trust Fund and HPC Operating Budget</b>			
		<i>Approved Budget</i>	<i>Year-End Actuals</i>
<i>Revenues</i>			
	First Installment from the Industry Assessment*	\$3,700,000	\$3,735,689
	A&F ISA	\$500,000	\$500,000
	CHIA ISA	\$150,000	\$150,000
	DPH/OPP ISA	\$33,000	\$33,098
	<i>Total Available for Expenditure</i>	\$4,383,000	\$4,418,787
	<i>Total Approved for Operating Budget</i>	\$683,000	\$683,000
<i>Expenditures</i>			
	Payroll and Benefits	\$543,000	\$487,604
	Rent	\$0	\$0
	IT Infrastructure and Services	\$40,000	\$34,122
	Professional Services	\$0	\$3,135
	Administrative/One-Time Expenses	\$100,000	\$100,846
	<b>Total HPC Operating Expenditures</b>	<b>\$683,000</b>	<b>\$625,707</b>
	<b>FY13 Operating Budget Year-End Balance</b>	<b>\$0</b>	<b>\$57,293</b>
	<b>FY13 Health Care Payment Reform Trust Year-End Balance</b>	<b>\$3,700,000</b>	<b>\$3,735,689</b>

\* Due to several late payments, part of the first year's installment was collected after June 30. For the purpose of this presentation, the total Year 1 Assessment amount is allocated to FY13.

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# Health Care Payment Reform Trust Fund – FY14 Update

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- **FY14:** July 1, 2013 - June 30, 2014
  - The Board approved an HPC operating budget of **\$5,650,000** for FY14.
  - The balance at the beginning of FY14 was \$3.735 million, the entire amount of the first installment of the assessment deposited in the Health Care Payment Reform Fund.
  - The second installment of the assessment will generate approximately \$2.5 million by June 30, 2014 for the Health Care Payment Reform Fund.
    - 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 fiscal year.
  - While the Commonwealth was 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, this process is now delayed. Current HPC projections do not assume any gaming license revenues in FY14.
  - The state's FY14 budget as approved by the Legislature sought to repurpose a portion of these gaming funds to support the MassHealth program (approx. \$6.5 million). This transfer is contingent on the receipt of gaming license revenue in FY14.
  - Through the first six months of FY14, the HPC is on-track to close the fiscal year within the approved budget.
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# FY14 Health Care Payment Reform Trust Fund – Updated Balance Sheet

<b>FY14 - Health Care Payment Reform Trust Fund and HPC Operating Budget</b>			
		<i>Approved Budget</i>	<i>Updated Projections</i>
<i>Beginning Balance</i>			
		\$3,702,094	\$3,753,689
<i>Revenues</i>			
	Second Installment from the Industry Assessment	\$2,500,000	\$2,503,475
	One-Time Gaming License Revenue	\$39,500,000	\$0
<i>Total Available for Expenditure</i>		\$45,702,094	\$6,257,164
<i>Total Approved for Operating Budget</i>		\$5,650,000	\$5,650,000
<i>Expenditures</i>			
	Payroll	\$2,657,850	\$2,256,614
	GIC/Retirement	\$714,962	\$622,600
	Rent	\$225,000	\$208,824
	Professional Services	\$1,650,000	\$2,120,000
	IT Infrastructure and Services	\$200,000	\$192,811
	Administrative/One-Time Expenses	\$200,000	\$194,105
	<b>Total HPC Operating Expenditures</b>	<b>\$5,647,812</b>	<b>\$5,594,954</b>
<i>Other Trust Fund Expenditures</i>			
	Innovation Investment Program	TBD	\$0
	Medicaid Rate Enhancements	-	TBD
<b>FY14 Operating Budget Year-End Balance</b>		<b>\$2,188</b>	<b>\$55,046</b>
<b>FY14 Health Care Payment Reform Trust Year-End Balance</b>		<b>\$40,054,282</b>	<b>\$662,210</b>

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# Distressed Hospital Trust Fund and CHART Administrative Budget

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- **FY14:** July 1, 2013 - June 30, 2014
  - The balance at the beginning of FY14 was \$40.29 million, the entire amount of the first installment of the industry assessment deposited in the Distressed Hospital Trust Fund.
  - The second installment of the assessment will generate approximately \$26.2 million by June 30, 2014 for the Distressed Hospital Trust Fund.
  - The Board authorized \$10 million in Phase 1 awards to 28 hospitals. Of this amount, 80% will be distributed in FY14 (\$8M) and the final 20% in FY15 (\$2M).
  - According to c. 224, 10% of the amounts held in the fund are available for administrative costs.
  - Administrative costs related to the CHART investment program in FY14, include:
    - Salary and benefits for program staff
    - Expert assistance in program development and Phase 1 grant review
    - Contracted services on behalf of awardees, including technical assistance, leadership and capacity survey, and other awardee engagement and support
    - Overhead costs
  - The FY14 proposed administrative spending for CHART is **\$693,884**. This represents approximately 1% of available funds in the Trust Fund for FY14.
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# FY14 Distressed Hospital Trust Fund – Updated Balance Sheet

<b>FY14 - Distressed Hospital Trust Fund and CHART Administrative Expenses</b>		
		<i>FY14 Proposed</i>
<i>Beginning Balance</i>		
		\$40,294,727
<i>Revenues</i>		
	Second Installment from the Industry Assessment	\$26,247,479
<i>Total Available for Expenditure (including 10% for admin costs)</i>		\$66,542,206
<i>FY14 Phase 1 Awards*</i>		\$8,000,000
<i>FY14 Phase 2 Awards</i>		TBD
<i>Administrative Expenditures</i>		
	Payroll**	\$187,809
	GIC/Retirement	\$51,816
	Rent	\$16,175
	Professional Services/Engagement Activities	\$425,000
	IT Infrastructure and Services	\$7,189
	Administrative/One-Time Expenses	\$5,895
	<b>Total CHART Administrative Expenses</b>	<b>\$693,884</b>
<b>FY14 Distressed Hospital Trust Fund Year-End Balance</b>		<b>\$57,848,322</b>

\* Represents 80% of Phase 1 approved awards. Remaining 20% distributed in FY15.

\*\* Approximately 3 FTEs, including part-time legal and fiscal support

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# FY15 Preview

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- **FY15:** July 1, 2014 - June 30, 2015
  - The expected balance at the beginning of FY15 is approximately \$650,000.
  - The third installment of the assessment will generate approximately \$2.5 million by June 30, 2015 for the Health Care Payment Reform Trust Fund.
    - 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 fiscal year.
  - The Commonwealth is expected to issue at least two gaming licenses in FY15, with a one-time transfer to the Health Care Payment Reform Trust Fund of \$40 million. A portion of this revenue will support HPC operations.
  - Considerations for the FY15 HPC operating budget include:
    - Annualized cost of salary and benefits due to rolling hires in FY14
    - Continued need for expert assistance in numerous programmatic areas, including market reviews and APCD analysis
    - On-going developmental and operational costs of HPC activities such as the PCMH and ACO certification programs, the Office of Patient Protection, and the first year of the registered provider organization program (RPO)
    - Website enhancements
    - Office relocation
    - Limited new hiring needs
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# Next Steps

## Upcoming activities for the ANF Committee

- Consider and discuss proposed FY15 HPC Operating Budget
- Consider and discuss proposed FY15 CHART Administrative Budget
- Oversee independent audit of FY13 and FY14

# Contact Information

For more information about the Health Policy Commission:

- Visit us: <http://www.mass.gov/hpc>
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