

**MINUTES OF THE COST TRENDS AND MARKET PERFORMANCE  
COMMITTEE**

**Meeting of August 6, 2014**

**MASSACHUSETTS HEALTH POLICY COMMISSION**

**THE COST TRENDS AND MARKET PERFORMANCE COMMITTEE OF THE  
MASSACHUSETTS HEALTH POLICY COMMISSION**  
Center for Health Information and Analysis  
Daley Room, Two Boylston Street, 5<sup>th</sup> Floor  
Boston, MA 02116

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**Docket: Wednesday, August 6, 2014, 11:00 AM – 12:30 PM**

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**PROCEEDINGS**

The Massachusetts Health Policy Commission's (HPC) Cost Trends and Market Performance (CTMP) Committee held a meeting on Wednesday, August 6, 2014 in the Daley Room at the Center for Health Information and Analysis (CHIA) located at Two Boylston Street, 5<sup>th</sup> Floor, Boston, MA 02116.

Members present were Dr. David Cutler (Chair), Dr. Paul Hattis, Dr. Wendy Everett, Mr. Rick Lord, and Ms. Kim Haddad, representative for Mr. Glen Shor, Secretary of Administration and Finance.

Dr. Cutler called the meeting to order at 11:06 AM.

**ITEM 1: Approval of minutes**

Dr. Cutler asked for any changes to the minutes from the June 4, 2014 meeting. Seeing no comment, Dr. Cutler called for a motion to approve the minutes, as presented. Dr. Everett made the motion and Mr. Lord seconded. Members voted unanimously to approve the minutes.

**ITEM 2: Discussion of Cost Trends Reports**

Dr. Cutler reviewed the agenda for the meeting. He stated that there would be a discussion of the Cost Trends Report: July 2014 Supplement. He added that the meeting would also include a discussion and approval of the proposed regulation on notices of material change. Finally, he stated there would be a brief discussion of the Annual Health Care Cost Trends Hearing.

Dr. Cutler introduced Dr. Marian Wrobel, Director for Research and Cost Trends, and Ms. Sara Sadownik, Senior Manager for Cost Trends to present on the findings of the Cost Trends Report.

Dr. Wrobel reviewed the HPC's statutory requirements around cost trends research. She stated that the primary goal for this meeting would be to discuss topics for the 2014 Cost Trends Report.

Dr. Wrobel briefly reviewed the timeline for cost trends work. She noted that the HPC released the July 2014 Supplement and was now awaiting data from the CHIA Annual Report to inform the remainder of their research.

Dr. Wrobel reviewed the potential topics for 2014 Cost Trends Report, which include examinations of the health care cost growth benchmark and current trends; the delivery system; the insurance market; the opportunities to increase efficiency and value; and an ongoing commitment to transparency, accountability and measurement. Before delving deeper into these topics, she sought comment from commissioners.

Dr. Cutler stated that the conclusion from the 2013 Cost Trends Report was that the Commonwealth is working to identify all potential topics of research that contribute to health care cost growth. He added the next step after identifying topics is conduct research and create action plans to fill in data gaps. Dr. Wrobel stated that as the HPC is building a strong research and evidence base. She added that the health care market is constantly transforming, so research must be constantly refreshed, as well.

Dr. Hattis stated that working with market participants is extremely important in moving forward, especially as a means to support them in a rapidly transforming market. Dr. Wrobel noted that the goal of Chapter 224 was for market actors to come together and do what was necessary to control costs and increase quality. She stated that the HPC looks forward to expanding in that area.

Dr. Everett highlighted specific concerns on the July 2014 Supplement. First, she wanted more information on why Massachusetts remains a national outlier in the cost of post-acute care. Dr. Wrobel stated that this topic will be explored further at the 2014 Health Care Cost Trends Hearing and in the 2014 Cost Trends Report.

Dr. Cutler stated that he recently had a conversation with the Massachusetts Council of Community Hospitals (MCCH) in which he highlighted trends around post-acute care. He noted that the stakeholders within MCCH are looking to the HPC for further direction on this issue.

Dr. Everett stated that these ideas synchronize well with the HPC's work on alternative payment methodologies (APMs).

Dr. Hattis stated that the HPC may learn additional information by utilizing qualitative methods. He clarified that it would be interesting to interview particular hospitals and systems that perform better on certain metrics to inform best practices. Dr. Wrobel stated that this is a great opportunity for learning and that the HPC looks forward to this engagement moving forward.

Dr. Everett stated that staff should look nationally for research on the cost of post-acute care. She noted two others areas of further interest: (1) the importance of looking at hospitalizations for ambulatory care sensitive conditions as a means to reducing overall costs; and (2) an expansion on CHART work regarding the strengthening of the community hospitals as individuals and as a cohort in the Commonwealth, so as to shift patients away from high cost academic medical centers (AMCs).

Mr. Lord asked what data would be used to evaluate effective price transparency tools, one of the topics proposed for the 2014 Cost Trends Report. Dr. Wrobel stated that these are all potential topics driven by premature conversations. She noted that the goal is to examine available data and best practices to report back on what goals can be met.

Dr. Wrobel reviewed the health care cost growth benchmark. She stated that the CHIA Annual Report will inform this research and lead to a broader discussion of current trends in the health care market. She noted that the last report outlined an increase in out-of-pocket spending, which warranted more discussion moving forward in tandem with the All-Payer Claims Database (APCD).

Dr. Cutler stated that interpretation of this data is heavily dependent upon the CHIA Annual Report.

Dr. Wrobel reviewed research surrounding the health care delivery system. She stated that research would expand to out-patient and primary care markets, as well as discussion of a set of consolidation metrics as of yet to be developed. She noted that analyzing care across settings would be extremely helpful. She noted that behavioral health is an area of tremendous importance and interest as research moves forward.

Dr. Cutler asked for clarification around the goal of the 2014 Cost Trends Report. Ms. Sadownik responded that it is an opportunity to move from a high-level description of problems into identifying best practices and successes. Dr. Wrobel added that the HPC is anticipating a concrete set of data from the 2014 Health Care Cost Trends Hearing.

Dr. Everett stated she was intrigued by consolidation of primary care practices and that she hoped for more research on what ways practices are subsequently changing. Dr. Wrobel noted that the HPC has broad long-term goals to build for the future.

Ms. Karen Tseng, Policy Director for Market Performance, noted that her team has consistently worked with the Research and Cost Trends team in order to examine these consolidations.

Dr. Cutler, noting the time, asked for a brief review of remaining topics.

Dr. Wrobel reviewed research insurance markets, including the examination of new products intended to harness demand so as to understand opportunities to strengthen the overall market. She added that APMs will be of particular interest moving forward.

Dr. Wrobel reviewed research on maximizing efficiency and increasing value. She stated this analysis could examine administration simplification, a new area of research. She added that the creation of more efficiency measures in conjunction with CHIA would be of great importance moving forward.

Dr. Wrobel reviewed the HPC's commitment to transparency, accountability, and measurement as a topic of research. She noted that analysis would examine expenditure measures for hospitals and specialists and would occur in conjunction with the work of the Market Performance team. She added that further information gathering would be extremely important in this section.

Ms. Haddad noted that CHIA's consumer website would be unveiled in December and expressed interest in examining how it aligned with consumer information needs.

Dr. Everett noted that the staff should also work with employers to understand the supply side of their market research.

Dr. Hattis asked how much of the cost trends work would inform robust and agreeable metrics on population health management (PHM) initiatives. Dr. Wrobel stated that this is an important factor that is being measured by the APCD Almanac and CHIA. She added that an examination of episodes, instead of setting-by-setting, may be of particular interest. Ms. Sadownik stated that the framework is informing thinking about moving from the high-level to the more detailed analysis.

Mr. Lord asked that examination of benefit design, specifically how employers design those benefit systems, be included as a topic of interest. Dr. Wrobel stated that out-of-pocket spending analysis includes this examination.

Dr. Cutler stated that these conversations will continue over the next few months and . Dr. Wrobel noted her excitement about continuing this work and excitement for the 2014 Health Care Cost Trends Hearing on October 6 and 7 at Suffolk University Law School.

### **ITEM 3: Advancing Proposed Regulation on Notices of Material Change**

Dr. Cutler moved to the next agenda item, a discussion of the proposed regulation on notices of material change. He turned the meeting over to Ms. Tseng to present on the proposed regulation.

Ms. Tseng stated that her team had been working closely with the HPC's General Counsel in order to draft the regulation. She introduced Ms. Megan Wulff, Project Manager for Cost and Market Impact Reviews, to present on the proposed regulations.

Ms. Wulff noted that she would review more descriptive slides rather quickly to allow for more discussion on the substantive regulation.

### **ITEM 3b: Proposed Definitions for Notices of Material Change (MCNs)**

Ms. Wulff stated that the draft regulation is divided into two parts. The first part contains all of the definitions, either drawn from the statute, HPC's interim guidance, or agreed upon by this committee. She noted that the HPC has prepared an accompanying Technical Bulletin with detailed steps for calculating the following definitions: materially higher price, materially higher health status adjusted total medical expenditure (TME), primary service area, and market share.

### **ITEM 3c: Process for MCNs and Cost and Market Impact Reviews (CMIRs)**

Ms. Wulff reviewed the process for filing MCNs and instigating a CMIRs. She noted that the processes should be familiar to the committee and to market participants because they are consistent with the interim guidance, the statute, and the process employed by the HPC over the past year and a half. The HPC has incorporated suggestions from stakeholders, commissioners, and staff to improve and formalize this process.

Ms. Wulff noted the key points in filing a material change notice, including the requirement to file if a provider organization has at least \$25 million in net patient service revenue (NPSR). She also reviewed the statutory procedure for the HPC to gather materials pertinent to its 30-day review of a MCN. She further described some components of the CMIR process, including identifying the metrics of cost, quality, and access; the 12 factors found in the statute that are pertinent to review; and any other factors in the public's interest.

Ms. Wulff briefly reviewed the final product that is generated from a CMIR. She noted that the regulation describes the issuance of a Preliminary Report, followed by a response period for the parties, timing for issuance of a Final Report, and the elements for a required referral to the AGO. She noted that in response to market participant feedback, the HPC has stated in the regulation that there may be other circumstances in which the Commission may refer a report to the AGO at its discretion.

### **ITEM 3d: Definition of Material Change**

Ms. Wulff moved to a review of the process and definition of material change. She provided an update from the previous committee meeting regarding continued. First, the regulation for notices of material change has formalized a consistent practice of reviewing changes in services in connection with any material change notice. For example, when the HPC receive notices it explicitly ask parties "whether any changes in services are anticipated in connection with the proposed transaction." In addition, in the context of full a CMIR, the HPC examines access impacts, including proposed reconfigurations, changes, expansions, or reductions in services.

Ms. Wulff acknowledged that the HPC has been exploring the question of whether closures of health care facilities or services would be reviewed through the MCN process. Based on preliminary feedback from DPH and HHS and discussions with commissioners, the regulation does not include the review of closures. This decision is supported by statutory framework for DPH and AGO to review reductions and closures for impacts on safety and access.

Ms. Wulff added that there are also a number of other existing statutory mechanisms whereby the HPC could fulfill a role in increasing transparency and analysis around changes in services without completing a full CMIR. She stated that examples of those include transparency regarding changes in services through the Registration of Provider Organization process, analysis of the impact of changes in services through cost trends reporting and hearings, and access evaluations that occur as part of the CHART Investment Program. In addition, she added that the HPC plans to continue to work closely with DPH and AGO to share our expertise and knowledge as they perform their reviews.

Dr. Hattis asked if it would make sense to include closures within the definition of material change as it has clear implication on costs. Ms. Tseng noted that Determination of Need (DoN) processes were updated under Chapter 224 to require a cost and impact analysis, which would sync well with the work of the HPC and would warrant further collaboration with DPH and HHS.

Dr. Hattis noted that there should be ways for various government agencies to identify potential closures and drastic changes in service before they actually occur.

Dr. Everett stated that while this is a positive endeavor, it is not the role of the HPC and that it lies more with DPH and HHS.

Mr. David Seltz, Executive Director, noted that the legislature has been discussing hospital closures and established a task force, chaired by Secretary Polanowicz, to examine essential services. He stated that he would sit on this task force.

### **ITEM 3e: Vote and Next Steps**

Ms. Wulff solicited further comment before moving to a vote on the proposed regulations.

Dr. Cutler asked if these are standards only for mandatory referral. Ms. Tseng responded in the affirmative. She stated there is an expectation and a policy decision to frame the elements and the definition of what would trigger a mandatory referral to be focused upon issues of major concerns.

Ms. Tseng stated that the committee's vote today moves the regulation forward for consideration by the board. The board will then consider a vote at the September 3, 2014 meeting to formally issue the proposed regulation. Following this vote, the proposed regulation will enter a public comment period. Ms. Tseng stated that stakeholders will be continuously engaged throughout the process.

Seeing no further comment, Dr. Cutler called for a motion to advance the proposed regulation on notices of material change. Dr. Hattis made the motion. Upon second from Dr. Everett, the motion was unanimously approved.

### **ITEM 4: Adjournment**

Dr. Cutler announced the next meeting of the Cost Trends and Market Performance Committee (October 1, 2014) and adjourned the meeting at 12:27 PM.