COMMONWEALTH OF MASSACHUSETTS

HEALTH POLICY COMMISSION

Cost Trends and Market Performance

July 15, 2015

Agenda

- Approval of Minutes from the May 20, 2015 Meeting
- Discussion of the 2015 Cost Trends Report
- Discussion of the 2015 Health Care Cost Trends Hearing
- Update on Notice of Material Change Process
- Introduction to Performance Improvement Plans
- Schedule of Next Committee Meeting (October 14, 2015)

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Vote: Approving Minutes

Motion: That the Cost Trends and Market Performance Committee hereby approves the minutes of the Committee meeting held on May 20, 2015, as presented.

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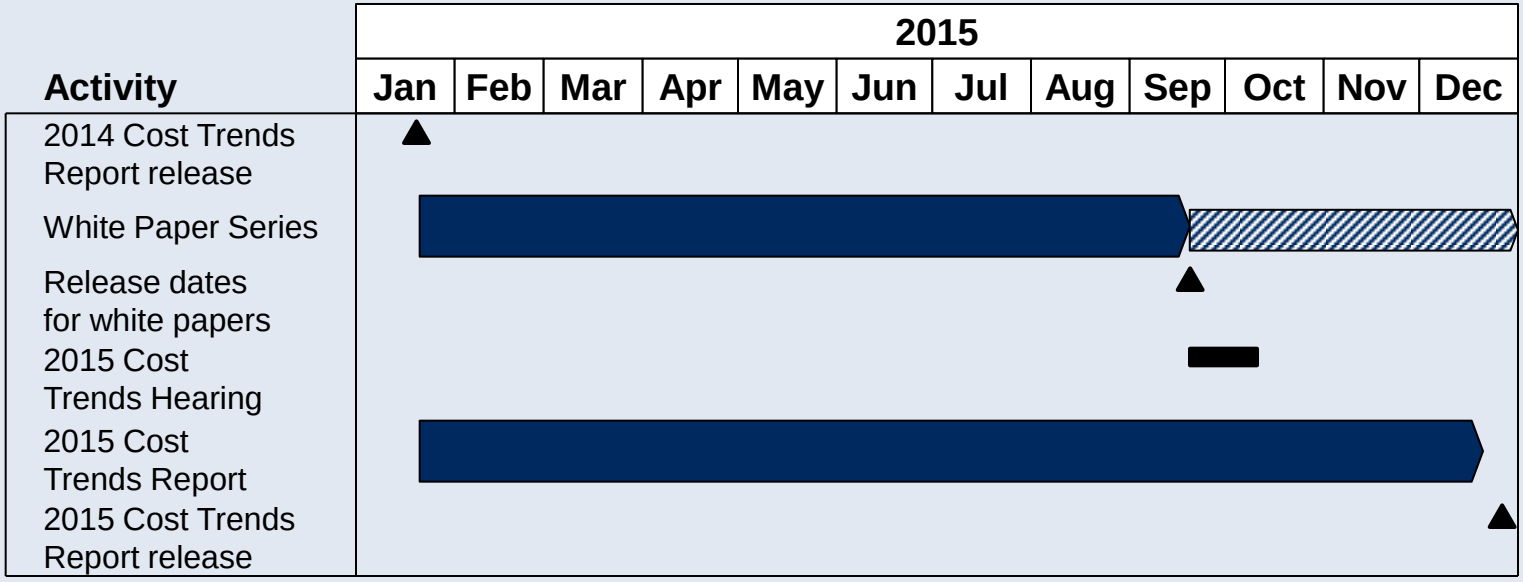
System-wide data update

DATA NEEDS	HPC ACTIVITIES
Validated MassHealth data from the APCD	• CHIA is producing basic enrollment and spending trends for MassHealth PCC plan, using APCD data (2011-2013). • Pending completion and review of these results, HPC will include them in 2015 Cost Trends Report. • **HPC is examining enrollment and claims data from APCD for MassHealth MCO plans.** • **If these data appear valid for the purpose of analyzing cost trends, then HPC will produce basic enrollment and utilization trends for MassHealth MCO plans and include in 2015 Cost Trends Report.**
MBHP data in APCD	• CHIA plans to include 2013 and 2014 data in APCD version 4.0 • CHIA and HPC to discuss including data from prior years
Discharge data that includes free-standing psychiatric hospitals	• CHIA and HPC met on June 22 to discuss use cases for the data, and the potential time/effort needed for CHIA to begin collecting data • CHIA agreed to meet with some of the freestanding psychiatric hospitals in July. Meetings will discuss the level of effort for hospitals to submit data, any operational barriers, and an expedited schedule.

Notes: Bold text represent noteworthy developments since 5/20/2015.
In addition, this slide drops the item, “Quality measures” because it will be covered in CDPST committee meetings.

Overview of 2015 Cost Trends Report

- HPC's third Annual Cost Trends Report
- 2015 Report will focus on new topic areas as well as progress over time
  - Behavioral health and MassHealth focus integrated into various topic areas
- Report emphasis and recommendations will vary according to state performance relative to benchmark and evidence regarding cost drivers
- HPC also continues research for white paper topics:
  - High-cost drug spending
  - Primary care access and preventable ED and inpatient visits
  - Employers and insurance markets



Report outline

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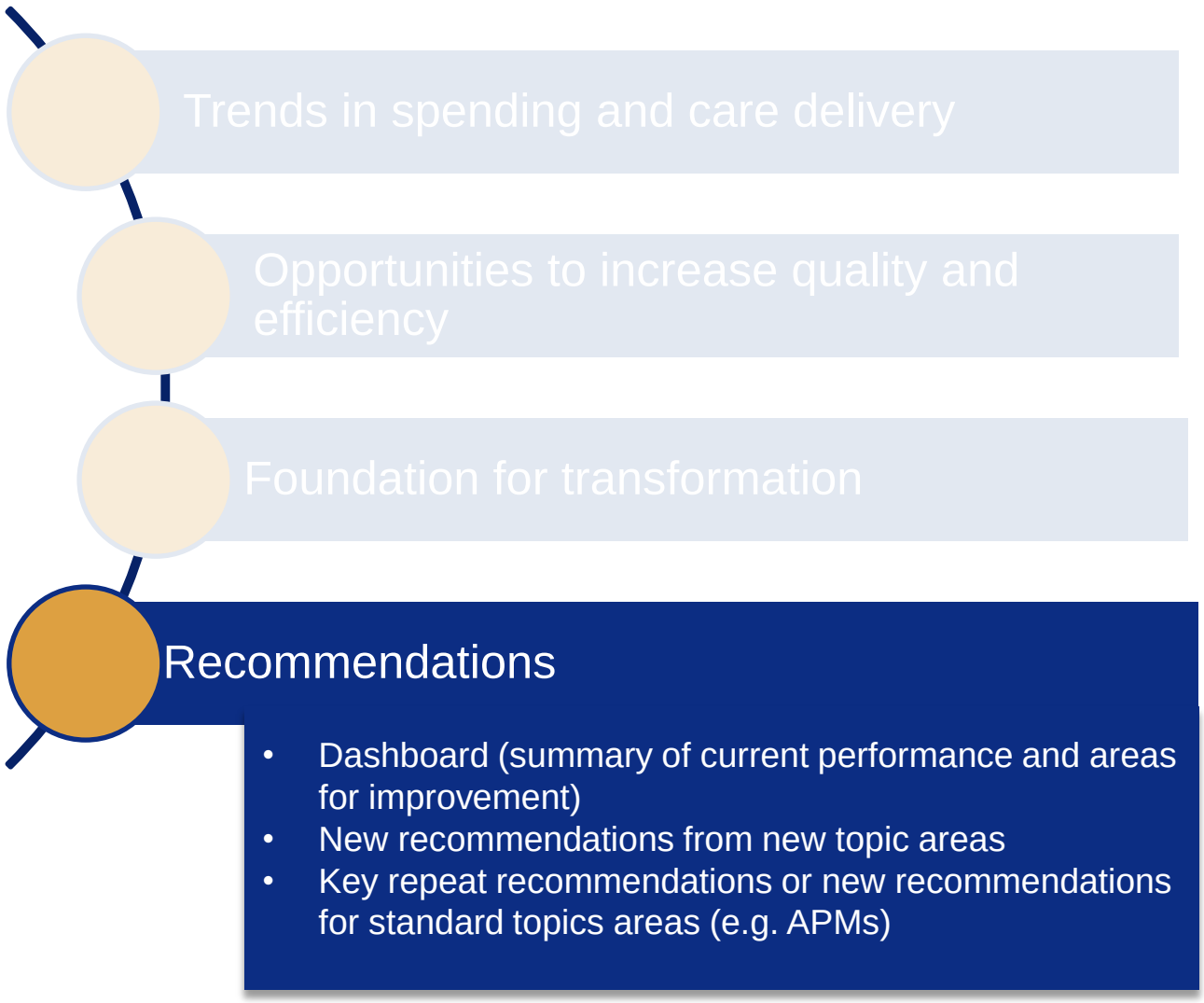

Draft outline for 2015 Cost Trends Report

Trends in spending and delivery

- Benchmark– spending trends in MA vs US
- Components of spending growth within MA
- Trends in provider markets
- Affordability of care
- Access to primary care
- Quality of care

Opportunities to increase quality and efficiency

- *Price variation*
  - Maternity spending
  - Lab tests
- *Opportunities for improvement in acute care use*
  - Preventable admissions, readmissions, ED use
- *Opportunities for improvement across non-acute needs*
  - Serious illness and end of life care
  - Post-acute care
  - Medicaid and long-term care

Foundation for transformation

- APMs, including providers' needs for data and alignment
- Demand-side incentives, including price transparency

Recommendations

- Dashboard (summary of current performance and areas for improvement)
- New recommendations from new topic areas
- Key repeat recommendations or new recommendations for standard topics areas (e.g. APMs)

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2015 Health Care Cost Trends Hearing

Commonwealth of Massachusetts

Health Policy Commission

2015 Health Care Cost Trends Hearing

An annual public examination of health care cost trends and drivers, featuring witness testimony and discussion with national experts on the challenges and opportunities within the Commonwealth's health care system.

October 5 & 6, 2015

Suffolk University Law School

120 Tremont Street, Boston, MA

2015 Health Care Cost Trends Hearing: Draft Agenda

Day 1

Opening Remarks: State officials

Keynote Remarks: Governor Charlie Baker (invited)

Presentation: CHIA

Policy Focus: Challenges to the cost growth benchmark
- **Expert speaker**
- **Panel 1**: Challenges to the benchmark
  - Sub-themes: drug costs, waste

Lunch

Presentation

Policy Focus: Innovations to promote patient-centered care
- **Expert speaker**
- **Panel 2A**: Care delivery innovation (urgent care/Minute Clinics, telemedicine, scope of practice)
- **Panel 2B**: Meeting providers' needs for data and alignment
  - Subthemes: care integration, behavioral health, payer reporting, EHR interoperability

Closing remarks and public comment

Day 2

Opening remarks: State officials

Keynote Remarks: Attorney General Maura Healey (confirmed)

Policy Focus: Market structure to promote value
- **Expert speaker:** Leemore Dafny, PhD (confirmed)
- **Panel 3**: Retrospective on past market transactions (provider)

Lunch

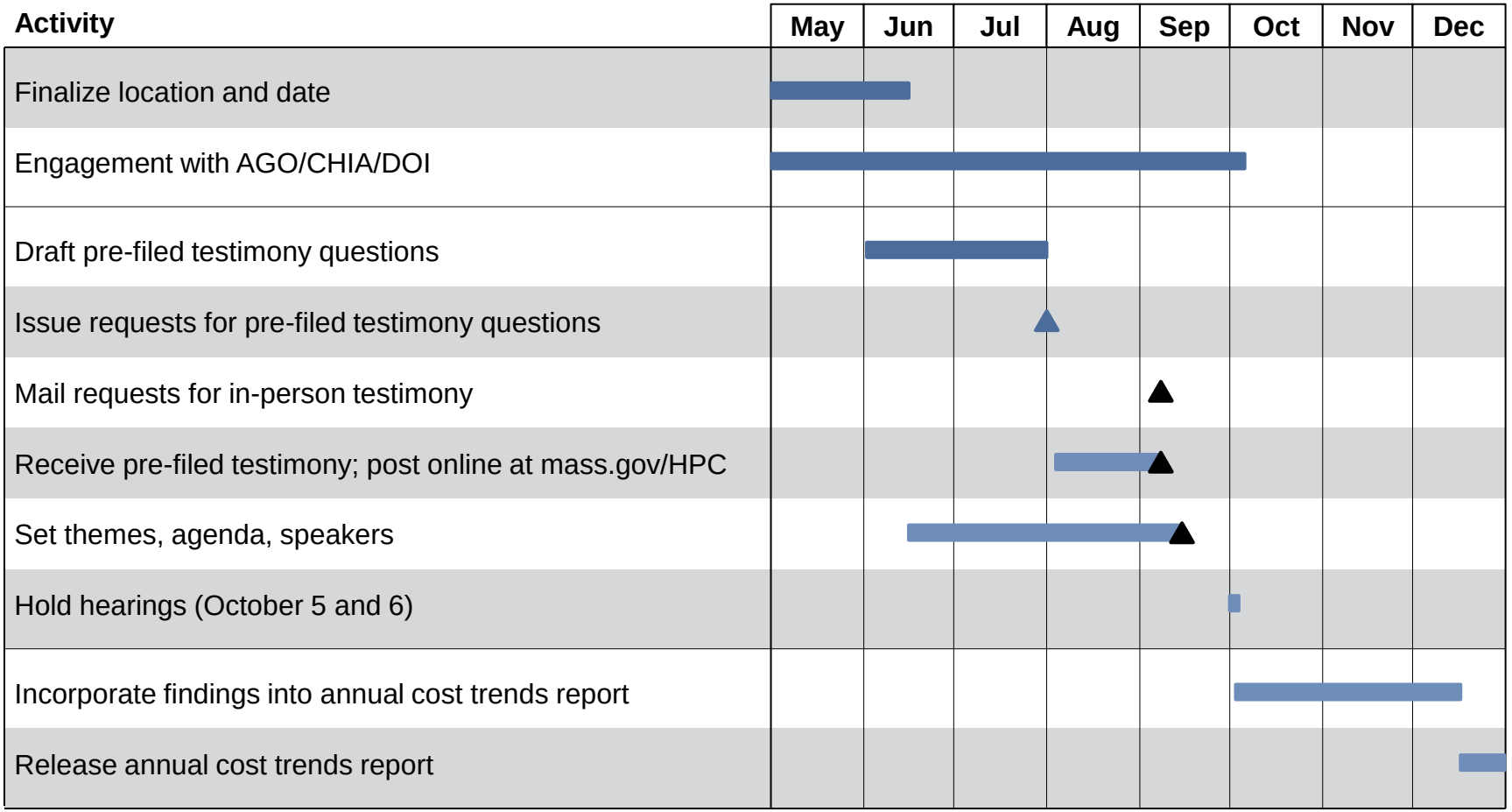
Presentation: Attorney General's office

Policy Focus: The role of payers in promoting value
- **Expert speaker**
- **Panel 4A:** Alternative payment methods/price variation (payer)
- **Panel 4B:** Product and market design – harnessing the power of purchasers and consumers (payer/employer)
  - Sub-themes: employer perspectives, price transparency tools

Panel 5: Reflections on Evidence (payer/provider)

Closing remarks and public comment

Tentative Timeline: Cost Trends Hearing and Report



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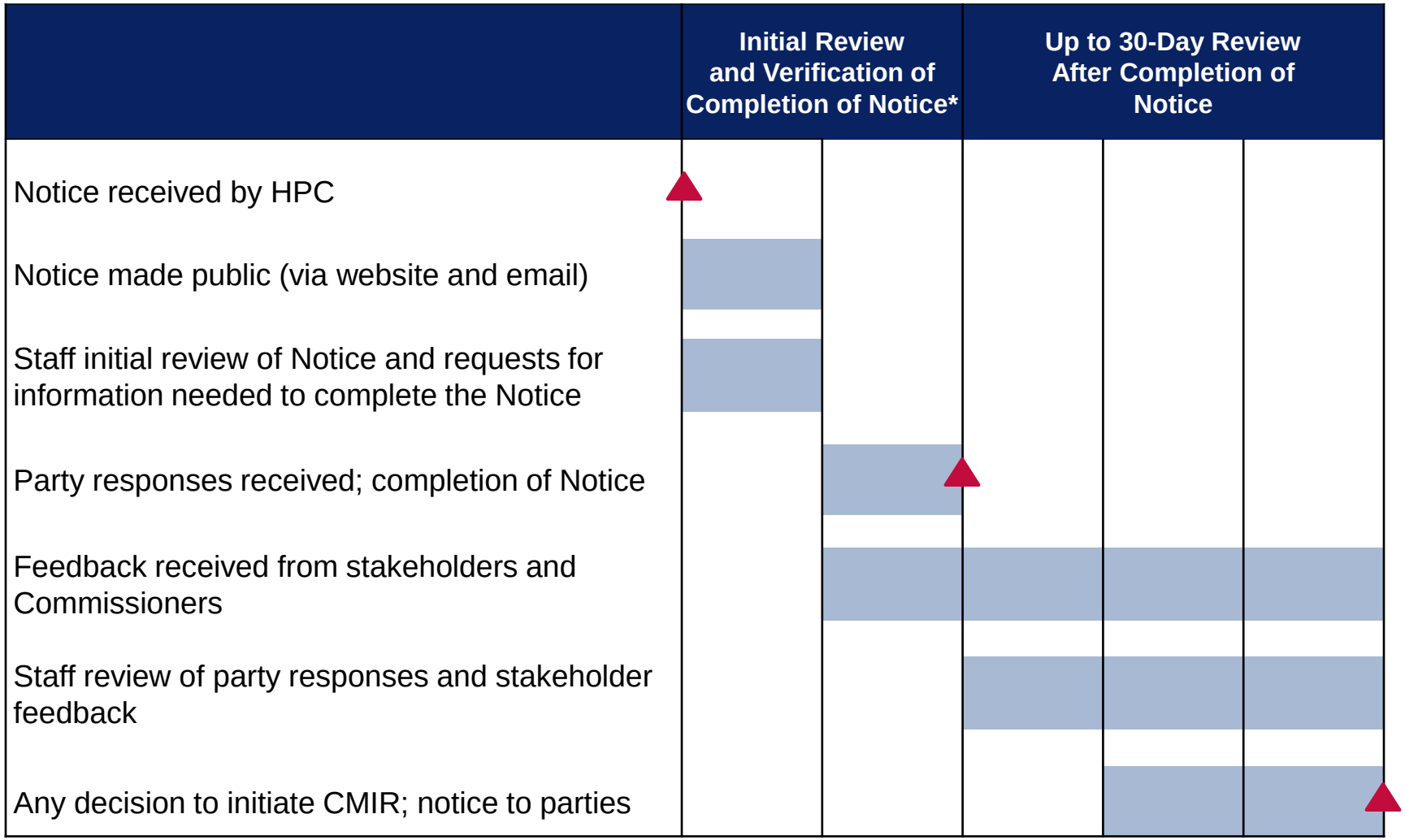
Timeline for Review of Material Changes

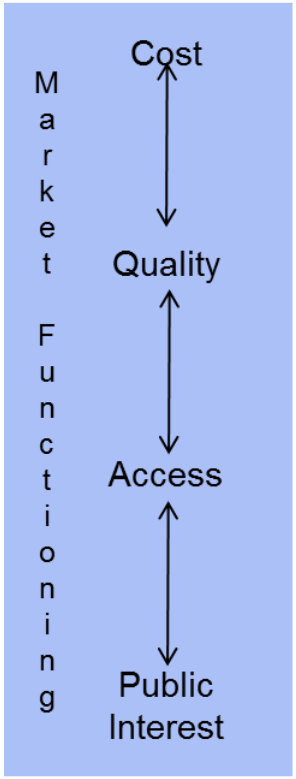


*Exact timing depends on the nature of the transaction and the parties' timeliness in responding to information requests; generally 1-2 weeks.

Statutory Factors for Review of Material Changes

Statutory standard

Factors should evaluate whether the material change is likely to result in a significant impact
- "on the Commonwealth's ability to meet the health care cost growth benchmark" or
- "on the competitive market"



- Unit prices, including whether prices are ***materially higher*** than other providers
- Health status adjusted TME, including whether TME is ***materially higher*** than other providers
- Provider costs and cost trends, including compared to statewide trends
- Provider size and market share within ***primary service areas*** and ***dispersed service areas***, including whether the provider has ***dominant market share***
- Quality, including patient experience and level of coordinated, population-based care
- Availability and accessibility of services similar to those proposed to be provided
- Impact on competing options for health care delivery, including the 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, including those with behavioral and substance use disorders or mental health conditions
- 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

Focused list of factors for 30-day review

Categories of Impact Review

Combine historic performance with details of the transaction and the parties' goals and plans to project the impact of the transaction

MCN — CMIR

	Costs	Quality	Access
What do we know from the terms of the transaction?			
How will provider and market structure change?			
Ongoing evaluation of the parties' goals and plans			

Example Questions for Impact Review

MCN

CMIR

	Costs	Quality	Access
What do we know from the terms of the transaction?	▪ Will contractual prices change as a result of the transaction? ▪ Will care shift to lower or higher priced providers?	▪ What are the identified areas for quality improvement? ▪ What changes do the Parties propose to address these areas?	▪ Are any changes in services identified? ▪ How do these changes affect any shortages or oversupply of services?
How will provider and market structure change?	▪ Will market share or concentration increase or decrease? ▪ What is the anticipated impact on bargaining leverage?	▪ How are the parties aligning incentives? ▪ Does the proposed structure support greater clinical integration and population care management?	▪ Will the resulting organization have higher or lower government payer mix? ▪ Higher or lower mix of low/negative margin services?
Ongoing evaluation of the parties' goals and plans	Continued evaluation with additional data, production, and interchange with parties and market participants.		

Updates to MCN and CMIR Process

This month, the HPC is making the following updates:

- Releasing an FAQ clarifying timing and filing requirements for certain types of transactions requiring Notice
- Reorganizing the MCN/CMIR website to make it more user-friendly
- Creating a listserv for interested stakeholders to receive notice both when we receive MCNs and when we make determinations of whether or not to initiate a CMIR

Contact Information

To join our listserv, please click the link on our MCN/CMIR website

For more information, please contact:

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Payer and Provider Performance Improvement Plans: Purpose

- Performance Improvement Plans (PIPs) are a mechanism for the HPC to identify, assist, and monitor payers and providers whose cost growth may threaten the state benchmark.
- PIPs provide an opportunity for both the HPC and for payers and providers undergoing a PIP to understand the drivers of its cost growth, and to pursue best practices to address these drivers.
- The PIP process will enable payers and providers, with the assistance of the HPC, to explore options to reduce cost growth such as investing in efficiency measures, improving utilization management, changing pricing or referral practices, or implementing care delivery reform measures.
- Payers and providers undergoing a PIP will provide updates to the HPC on the progress of their plan, and will have the opportunity to receive consultation and technical assistance from the HPC.

Identification of Payers and Providers

- Chapter 224 directs CHIA to identify payers and/or providers whose cost growth, as measured by health status adjusted TME, is excessive or threatens the health care cost growth benchmark.
  - CHIA will submit this list of payers and/or providers to the HPC in September 2015, based on final data for 2012 and 2013 and preliminary data for 2014.
  - The HPC is directed to provide notice to those payers and providers that they have been identified by CHIA.
- Under Chapter 224, the HPC may require some of these identified payers and providers to file and implement a PIP to improve efficiency and reduce cost growth.
- Over the coming months, the HPC will be developing guidance on filing and implementing PIPs.

CHIA Reporting on Cost Performance of Payers and Providers

- Chapter 224 requires CHIA to examine the growth in Health Status Adjusted Total Medical Expenses (HSA TME) to monitor health care spending at the health plan and provider group level.
- The HSA TME metric includes allowed claims-based payments and other payments (e.g. quality and financial performance settlements) for a payer's full-claim members.
- This metric also accounts for variations in health status of members, allowing for a more refined comparison of TME trends between payers than looking at unadjusted TME alone.
    - Health status scores are reported directly to CHIA by the payers, using the specific risk adjustment tool used by each payer applied consistently across the periods being measured.
- Payer HSA TME represents total health care spending for members' care, adjusted by health status. HSA TME is calculated within each payer's reported insurance categories.
- Provider group HSA TME represents the total health care spending of members whose plans require the selection of a primary care physician associated with a provider group (typically managed care plans), adjusted for health status.

CHIA, *Annual Report on the Performance of the Massachusetts Health Care System*, September 2014 (http://www.chiamass.gov/assets/docs/r/pubs/14/chia-annual-report-2014.pdf); see also http://www.chiamass.gov/total-medical-expenses-2/.

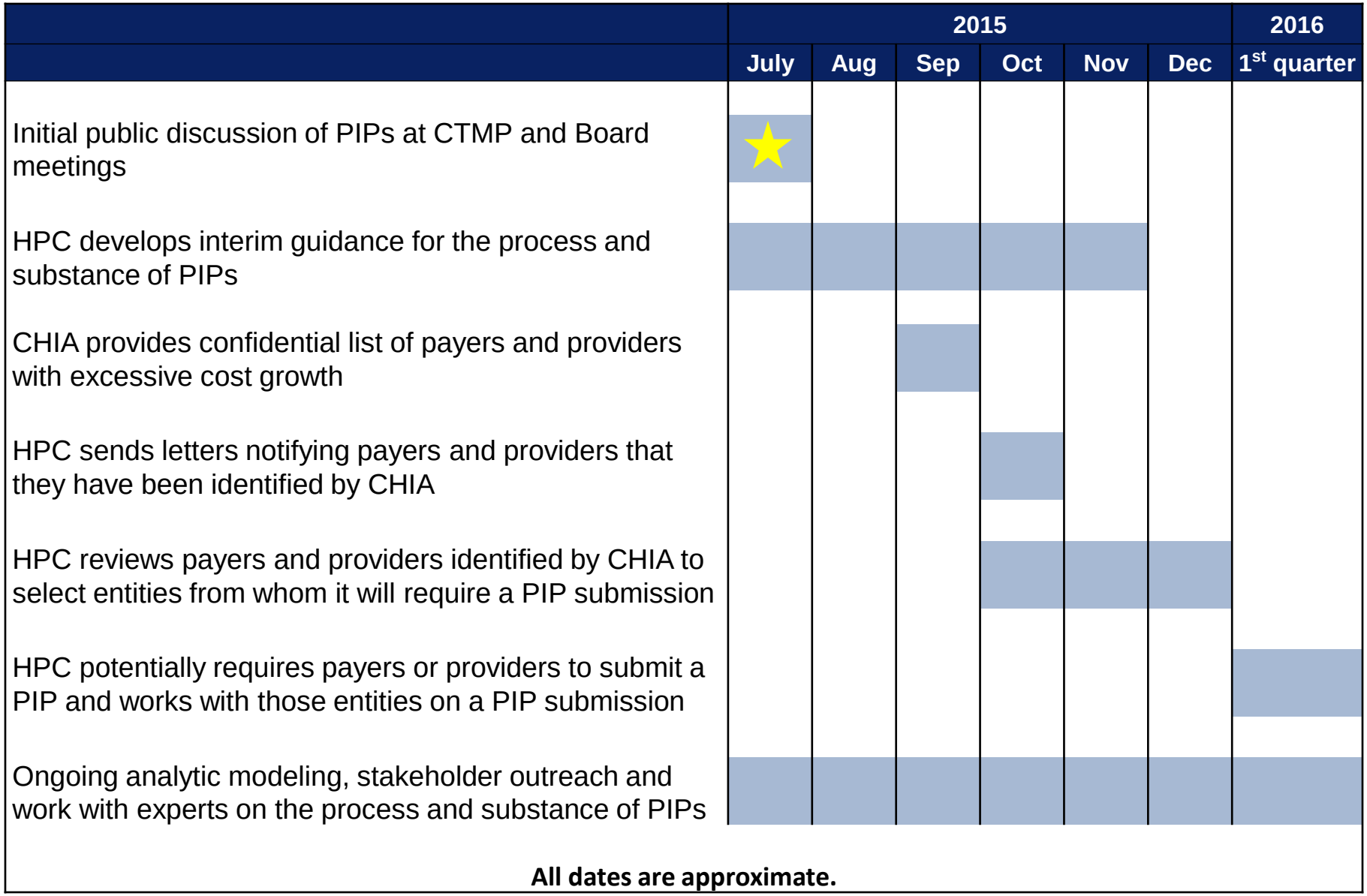
HPC Process for PIPs

- The HPC plans to conduct a rigorous and thorough review of all payers and providers identified by CHIA, and will examine a number of factors to obtain a comprehensive understanding of each entity's cost growth and any identifiable causes for such growth.
- Chapter 224 envisions that the HPC may waive the requirement for a health care entity to file a PIP based upon consideration of the following factors:
  - The costs, price, and utilization trends of the health care entity over time, and any demonstrated improvement in health care cost reduction.
  - Any ongoing strategies or investments that the health care entity is currently implementing to improve future long-term efficiency and reduce cost growth.
  - Whether the factors that led to increased costs for the health care entity can reasonably be considered to be unanticipated and outside of the control of the entity (e.g., pharmaceutical expenses).
  - The overall financial condition of the health care entity.
  - Other factors to be determined by the HPC (e.g. baseline level of spending).
- The HPC will require a subset of the identified payers and providers to file a PIP where the HPC has confirmed concerns about the entity's cost growth and where the HPC finds that engagement in the PIP process could result in meaningful reforms that impact the entity's cost growth.

Development and Implementation of a PIP

- If required to file a PIP, the payer or provider will develop a PIP tailored to the specific cost growth concerns of its entity and propose it to the HPC for approval.
- The PIP must identify the causes of the entity's cost growth and include specific strategies, adjustments, and action steps the entity proposes to implement to improve cost performance.
- It must include specific identifiable and measurable outcomes and a timetable for implementation of no more than 18 months.
- To be approved, a PIP must be reasonably likely to address the underlying causes of the entity's cost growth and be reasonably expected to succeed.
- Implementation of a PIP will involve reporting, monitoring, and assistance from the HPC.

Anticipated Timeline for Developing PIPs



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Contact Information

For more information about the Health Policy Commission:

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