

MINUTES OF THE COST TRENDS AND MARKET PERFORMANCE COMMITTEE

Meeting of July 15, 2015

MASSACHUSETTS HEALTH POLICY COMMISSION

**THE COST TRENDS AND MARKET PERFORMANCE COMMITTEE OF THE
MASSACHUSETTS HEALTH POLICY COMMISSION
CONFERENCE CENTER
50 MILK STREET, 8th FLOOR
BOSTON, MA 02109**

Docket: Wednesday, July 15, 2015, 9:30 AM – 11:00 AM

PROCEEDINGS

The Massachusetts Health Policy Commission's (HPC) Cost Trends and Market Performance (CTMP) Committee held a meeting on Wednesday, July 15, 2015 in the HPC's Conference Center, located at 50 Milk Street, 8th Floor, Boston, MA.

Members present were Dr. David Cutler (Chair), Dr. Paul Hattis, Mr. Rick Lord, and Mr. Ron Mastrogiovanni. Dr. Stuart Altman, Chair of the HPC, was also present.

Secretary Kristen Lepore and Dr. Wendy Everett were absent from the meeting.

Dr. Cutler called the meeting to order at 9:32 AM.

ITEM 1: Approval of minutes

Mr. Lord made a motion to approve the minutes from May 20, 2015. Dr. Hattis seconded the motion. Members voted unanimously to approve the minutes.

ITEM 2: Agenda

Dr. Cutler welcomed Mr. Mastrogiovanni to the CTMP Committee. He noted that Commissioner Mastrogiovanni fills the seat of an expert in health plan administration. Dr. Cutler asked Commissioner Mastrogiovanni to introduce himself.

Mr. Mastrogiovanni noted that his focus is on health care financial services. His company provides training and software to financial advisors from large institutions to help them advise their clients on health care choices.

Mr. Cutler reviewed the agenda for the committee meeting, noting a discussion on the 2015 Cost Trends Report and the 2015 Health Care Cost Trends Hearing. He stated that the meeting would also include a brief update on the notice of material change process and an introduction to the concepts of performance improvement plans.

ITEM 3: Discussion of the 2015 Cost Trends Report

Dr. Marian V. Wrobel, Director of Research and Cost Trends, noted that Dr. Cutler asked for a data update at the prior CTMP meeting. She stated that the HPC is waiting on data in three areas: (1) validated MassHealth data from the All-Payer Claims Database (APCD), (2)

Massachusetts Behavioral Health Partnership (MBHP) data in the APCD, and (3) discharge data that includes free-standing psychiatric hospitals.

Dr. Wrobel noted that the Center for Health Information and Analysis (CHIA) is developing methods to produce valid results using the MassHealth data in the APCD. She stated that the HPC is examining enrollment and claims data from the APCD for the MassHealth MCO plans to determine whether results based on this data may also be included in the 2015 Cost Trends Report.

Mr. Lord asked whether MassHealth data lags, noting that the HPC has APCD data through 2014, but MassHealth data only through 2013. Dr. Wrobel stated that the entire APCD is through 2013.

Mr. Lord asked what data would be included in the Cost Trends Report. Dr. Wrobel responded that the HPC uses a variety of sources, but begins with the total medical expenditure (TME) data, which is the foundation for the 2014 benchmark calculation. She noted that claim level data is much more detailed, but a year behind.

Dr. Wrobel stated that the HPC and CHIA are developing discharge data that includes free-standing psychiatric hospitals. She said CHIA is working with these hospitals to discuss how the data can be collected.

Dr. Cutler asked if all of the behavioral health data needs mentioned in the AGO and EOHHS presentations from the July 8 QIPP and CDPST Joint Committee Meeting were represented in the HPC's data needs chart. Dr. Wrobel stated that the staff will inventory those needs and include those that are in the HPC's purview in future committee presentations related to data.

Dr. Cutler asked whether behavioral health and pharmaceutical data was represented in the APCD. Dr. Wrobel responded that this data should be available and on par with other data. She stated that some types of data, particularly related to HIV and substance abuse, are protected under law and are not included in the APCD.

Dr. Hattis asked for clarification on the HPC's validation of MassHealth MCO data. Dr. Wrobel responded that the HPC is examining this data for the first time and ensuring that it appears to produce credible results for the purpose of analyzing cost trends.

Ms. Sara Sadownik, Senior Manager for Cost Trends, stated that the 2015 Cost Trends Report will cover new topic areas while also providing an opportunity to track trends over time. She noted that the HPC is employing a different strategy for addressing behavioral health: this year it will be integrated in analyses throughout the report. Ms. Sadownik stated that the report will respond to the findings in CHIA's 2015 Annual Report and that its focus may vary accordingly.

Ms. Sadownik stated that the Research and Cost Trends team is also producing a series of in-depth studies on topics such as high cost drugs, primary care access, and employer insurance markets.

Dr. Cutler asked for timelines and quick summaries of these studies. Ms. Sadownik stated that the studies will be released in winter 2015-2016. She provided a summary of topics, noting that

the primary care access study will map primary care providers in the state to determine whether the availability of primary care reduces preventable emergency department visits. Dr. Wrobel added that the employer insurance markets white paper will focus on employer perspectives on what is necessary to make value-oriented products attractive to employers and how insurance markets can be designed to facilitate comparison and choice.

Mr. Mastrogiovanni asked if the employer insurance markets study would focus on self-insured employers. Dr. David Auerbach, Deputy Director for Research and Cost Trends, responded that the white paper will look at a wide range of employers, but focus on fully-insured.

Dr. Altman asked whether the HPC can draw any conclusions from data on the utilization of high cost drugs. Ms. Sadownik responded that the HPC is investigating this topic and areas where the HPC has potential influence on pricing and utilization.

Ms. Sadownik reviewed the proposed outline for the 2015 Cost Trends Report. She stated that the HPC has been looking at spending growth, with a focus on the shifts in settings of care. She said there has been a growth in overall outpatient spending. She noted that, in 2015, the HPC will take a closer look at whether that represents the substitution of inpatient for outpatient care or represents new demand.

Dr. Hattis noted that CHIA released a report on trends in spending and care delivery in 2014. He asked whether CHIA or the HPC will examine out-of-pocket spending. Ms. Sadownik responded that it will be examined by both agencies.

Mr. Mastrogiovanni asked for clarification on the health care cost growth benchmark. Dr. Wrobel stated that the HPC set the 2014-2015 benchmark at 3.6%, or the potential growth rate of gross state product. She continued to say that expenses paid completely out of pocket (i.e., therapists, long-term care paid with assets) that do not go through the claims system are not included in the benchmark calculation.

Ms. Sadownik stated that, in addition to reviewing the trend in aggregate spending, HPC is also examining trends in various components of spending.

Ms. Sadownik reviewed the HPC's research on foundational areas for transformation. Dr. Wrobel added that the HPC will draw on CHIA's alternative payment methodologies (APM) data to distinguish between upside only risk and downside only risk. She noted that the Commonwealth set APM goals in 2014 and that the HPC will measure progress against these goals. She added that there will be room to survey developments around the country to determine what would be relevant for Massachusetts.

Dr. Altman noted that Massachusetts has been a leader with ACOs and shared savings programs. He stated that the HPC should continue research on bundled payments.

Dr. Cutler mentioned a report from Health Care For All, which examined payer price transparency tools. He stated that the report found that there is room for improvement in price transparency tools.

Dr. Altman echoed this concern, noting that the Catalyst for Payment Reform gave Massachusetts an F for price transparency. Dr. Wrobel noted that the low grade partially stemmed from the fact that Chapter 224 had de-emphasized the Commonwealth's public price transparency website and emphasized the price transparency tools hosted by payers and providers.

Mr. Lord asked if insurance premium growth will be part of the Cost Trends Report. He continued to say that, if it is, it should be examined within specific markets (such as small group). Ms. Sadownik said the HPC will continue to reflect upon which measures are appropriate.

ITEM 4: Discussion of the 2015 Healthcare Cost Trends Hearing

Ms. Lois Johnson, General Counsel, discussed the 2015 Health Care Cost Trends Hearing. She framed the two-day event and reviewed the HPC's statutory obligation to convene the hearing.

Ms. Johnson reviewed Pre-Filed Testimony for the hearing. To collect this testimony, the HPC sends questions to a host of identified organizations for written response. She added that the responses are posted on the HPC's website and a subset of witnesses is called to testify at the hearing.

Ms. Johnson reviewed the agenda for the 2015 Cost Trends Hearing. She noted that the first day will focus on the benchmark, while the second day will focus on challenging the market and addressing issues of transparency and APMS.

Commissioners discussed potential panelists and speakers for the Hearing.

Dr. Altman encouraged HPC staff to focus a portion of the Hearing on reference pricing if possible.

Ms. Johnson said that the HPC is developing the questions for pre-filed testimony. She reviewed the timeline for developing the hearing.

ITEM 5: Update on Notice of Material Change Process

Ms. Megan Wulff, Senior Manager for Market Performance, reviewed the HPC's notice of material change (MCN) process and the statutory factors for reviewing the notices.

Ms. Wulff reviewed the differences between the HPC's MCN and cost and market impact review (CMIR) processes. She noted that the two processes have similar quantitative data-driven analyses, but are different in scope.

Ms. Wulff stated that the HPC has augmented the MCN process documents, noting that the HPC posted an FAQ document on the agency's website that clarifies requirements for certain types of material changes. She said that the HPC has also reorganized the

MCN/CMIR website to make it more user-friendly. She noted that the HPC has also created a listserv for stakeholders interested in updates on MCNs.

ITEM 6: Introduction to Performance Improvement Plans

Ms. Kate Mills, Policy Director for Market Performance, provided a brief background on Performance Improvement Plans (PIPs). She stated that PIPs are one of the significant tools set forth in Chapter 224 to allow the HPC to monitor and assist payers and providers whose cost growth may threaten the state health care cost growth benchmark. She said that, over the next few months, the HPC will lay out the framework for identifying those organizations who might be subject to a PIP and outlining what a PIP will entail.

Ms. Mills stated that, each year, CHIA will provide the HPC with a confidential list of payers and providers whose cost growth is excessive and who threaten the health care cost growth benchmark. The HPC is then required to notify those entities identified by CHIA, and may require some of them to file and implement a PIP beginning in 2016. She noted that the HPC understands that, this September, CHIA will identify payers and providers based on their Health Status Adjusted Total Medical Expenses (HSA TME), and that this measure has been collected and reported by CHIA for many years. Ms. Mills noted that, for provider groups, HSA TME currently only includes plans that require a PCP, such as HMO plans.

Dr. Cutler said that only including plans that require a PCP is a significant limitation that needs to be addressed as the measurement would only account for half of the commercial market. Ms. Mills responded that there is interest in expanding the HSA TME measure to include other populations. She noted that this would be a priority area moving forward.

Dr. Hattis reminded commissioners that, at the 2014 Health Care Cost Trends Hearing, Blue Cross Blue Shield of Massachusetts testified that they would attribute PCPs for their PPO population in 2016. He asked whether this would expand the definition of HSA TME. Mr. Steve McCabe responded that CHIA is interested in expanding the measure into the PPO population and explained some of the difficulties in using PCP attribution for PPO members. Dr. Hattis stated that it is vital to include as much commercial business as possible.

Ms. Mills stated that the HPC intends to overlay an additional set of rigorous analyses to comprehensively review each entity initially identified by CHIA to determine those entities where there is a real concern about cost growth and where the PIP process could result in meaningful, cost reducing reforms. Ms. Mills stated that the additional HPC analyses will be discussed in more depth at future meetings, but some of the types of issues the HPC might consider include baseline cost and trends, prices and price variation across a payer's network, strategies the entity has already taken, the financial condition of the entity, and costs that might be outside of an entity's control, such as certain costs related to pharmaceuticals.

Mr. Lord noted that the ratings for small groups changed in 2014 because of the ACA and that could skew the data.

Dr. Cutler stated that the overly technical information should be properly worked out before the HPC distributes PIP notices. He added that the HPC should work with CHIA to review all PIPs to reduce administrative burden.

Ms. Mills stated that the HPC is building off methodologies from the last two years, including the work on cost and market impact reviews and cost trends analyses. Ms. Mills noted that the statute requires CHIA to use HSA TME to determine those entities whose cost growth is excessive and who threaten the benchmark.

Dr. Altman recommended that the HPC better understand the negotiations between payers and smaller and lower-priced providers. Ms. Johnson responded that this will be discussed during the Cost Trends Hearing.

Dr. Cutler asked if the Attorney General's Office will continue to publish the price relativity chart. Ms. Johnson noted that CHIA reports on this data. Ms. Wrobel added that the difference in relative prices is not narrowing.

Dr. Hattis asked how large providers have to be to be subject to the PIP process. Ms. Mills responded that CHIA reports TME for groups with 36,000 member months or more per commercial payer. She said that, in the PIPs statute, physician groups are exempt if they have physician contracting units with a patient panel fewer than 15,000 or receive \$25 million or less in net patient service revenue.

Ms. Mills said that once the HPC directs a payer or provider to submit a PIP, it is up to the organization to identify the causes of its cost growth, specific strategies for improvement, measurable goals, and an implementation timeline. She said that, to be approved, the HPC must find that a PIP is reasonably likely to address the underlying causes of the entity's cost growth and have a reasonable expectation of success.

Commissioners Altman, Cutler, and Hattis briefly discussed how to address issues related to smaller providers and specialty providers.

Mr. Seltz stated that there are big policy questions as the HPC rolls out this process that will require input from the board.

Dr. Cutler stated that he appreciates the transparency in framing the process.

Mr. Seltz noted that the PIP process will be a policy statement by the HPC. He stated that providers will see the indicators for triggering a PIP and avoid those actions.

Ms. Mills noted that this is the beginning of an ongoing process that will continue through 2016.

An audience member asked for clarification on the health care cost growth benchmark.

ITEM 7: Adjournment

Dr. Cutler adjourned the meeting at 11:09 AM