MINUTES OF THE COST TRENDS AND MARKET PERFORMANCE COMMITTEE

Meeting of January 13, 2016

MASSACHUSETTS HEALTH POLICY COMMISSION

THE COST TRENDS AND MARKET PERFORMANCE COMMITTEE OF THE MASSACHUSETTS HEALTH POLICY COMMISSION
Health Policy Commission
50 Milk Street, 8th Floor
Boston, MA 02109

Docket: Wednesday, January 13, 2016, 9:30AM

PROCEEDINGS

The Massachusetts Health Policy Commission's (HPC) Cost Trends and Market Performance (CTMP) Committee held a meeting on Wednesday, January 13, 2016, at 50 Milk Street, 8th Floor, Boston, MA.

Members present were Dr. David Cutler (Chair), Dr. Wendy Everett, and Mr. Rick Lord.

Commissioner Ron Mastrogiovanni and Secretary Kristen Lepore were absent from the meeting.

Dr. Cutler called the meeting to order at 9:30 AM.

ITEM 1: Approval of minutes

Dr. Cutler asked for a motion to approve the minutes from December 2, 2015. **Dr. Everett** made the motion to approve the minutes. **Mr. Lord** seconded the motion. The members voted unanimously to approve the minutes.

Dr. Cutler provided an overview of the meeting's agenda items.

ITEM 2: Discussion of Provider Discounts

Ms. Kate Scarborough Mills, Policy Director for Market Performance, summarized HPC work-to-date on provider-to-provider discounts. She explained that such discounts typically occur when providers under risk agree to send their risk patients to a preferred provider, and the preferred provider agrees to pay a discount back to the referring provider for services rendered to the risk patients.

Ms. Mills noted that the discount is typically a pre-determined percentage of the preferred provider's negotiated rates. She added that the discounts function as strategic clinical affiliations, and, as such, the HPC has updated its material change notice (MCN) process to clarify that these discounts are reportable to the HPC as an MCN.

Mr. Lord asked how common such discounts arrangements are in the Massachusetts market. Ms. Mills replied that the extent of these arrangements is unknown. She noted that the clarified MCN process will allow the HPC to obtain a more accurate understanding of

discounts. She added that, based on conversations with providers, such discounts are relatively common.

Ms. Mills noted that the updated MCN process only applies to new transactions, and, as such, the HPC had explored options to gather more information about such discounts. Ms. Mills noted that the HPC has engaged stakeholders to get their observations. Certain providers stated that discounts were a critical tool for being successful under risk contracts.

Ms. Mills noted that some providers saw these discounts as a way to reduce prices for risk patients who were choosing to go to high priced providers, because payers were not holding down those prices. Ms. Mills reiterated that it appears discounts do not flow back to payers and are therefore are not reflected in TME, but that providers view discounts as an important funding stream for care delivery models that are not traditionally reimbursed by payers.

Dr. Everett asked for clarification on whether the discounts contribute to total medical expenditures (TME). Ms. Mills responded that TME is calculated based on payer spending and, as such, discounts that occur between providers and do not flow to payers are not included in TME. She added that discounts could theoretically indirectly reduce TME if providers reinvested in care delivery to improve their efficiency and potentially lower costs.

Mr. David Seltz, Executive Director, noted that the HPC does not have information to verify that providers are using discounts funds for any specific purpose.

Dr. Cutler noted that any money saved through discounts and thus spent on improved care delivery could still have been spent absent the discount savings. He added that such investments were not a bad thing, but that the HPC should seek to better understand them.

Dr. Cutler commented that a provider investing in another provider for the sake of improved care outcomes is not a bad thing. He noted that the HPC is concerned only with understanding such relationships and ensuring that they are not designed to circumvent cost saving and improved efficiency policies.

Ms. Mills agreed with Dr. Cutler's assessment and added that the purpose of MCNs is to help assess whether the relationships under discussion are good or bad in terms of their effects on the health care system.

Ms. Mills stated that, the HPC would continue to monitor information about provider-to-provider discount relationships through the MCN process, and that the HPC had explored other ways to gather information about discount relationships such as through the Registration of Provider Organizations Program, the annual Cost Trends Hearing, and/or the AGO and DOI.

Based on staff research, Ms. Mills noted that CHIA has the clearest statutory mandate to gather information on discounts. She explained that section 8a of CHIA's statutory authority gives it the power to require regular reporting on situations in which one provider has

agreed to furnish another with a discount, rebate, or other remuneration. Ms. Mills added that the HPC been working closely with CHIA, DOI, and the AGO throughout this process.

Mr. Lord asked whether CHIA currently had the authority to collect the information on discounts and was not employing it. Ms. Mills replied in the affirmative.

Dr. Cutler asked whether CHIA was going to act on its authority and collect such information. Ms. Mills replied that CHIA would have to create regulations to collect such information. She noted that the regulatory process would allow for interaction with providers and other stakeholders to determine the most productive ways to move forward.

Dr. Everett commented that a broad analysis on the number of providers engaged in discounts would be useful for the Board. Ms. Johnson replied that, based on conversations with stakeholders, discounts are commonplace among larger groups of providers that bear risk.

Dr. Cutler noted that economic literature and research are not definitive as to whether it is beneficial to bring discounts into more focus. He explained that doing so would provide more clarity on how discounts work and costs could potentially be deceased, but might also make providers less willing to partake in the discounts. Dr. Cutler further noted that savings are not being returned to the consumers.

Ms. Johnson explained that some contracts might stipulate that the insurer maintains the right to administer the discounts between providers. She noted that the HPC has not yet seen an example of an insurer exercising that right. She suggested continued outreach to both providers and payers to better understand how discounts affect the marketplace.

Dr. Everett noted that, along with payers and providers, employers should also be a part of the conversation. She stated that employers can apply pressure to payers to help premiums increase at a lower rate.

Dr. Cutler surmised that the underlying issue is not that there is a discount, but that the entity receiving the benefit of the discount is not the same entity that is paying for the service. He asked staff for future updates on discounts.

Mr. Seltz noted that future updates will include new information relating to the role of CHIA and its statutory authority in relation to discounts as this is an area that is currently under further review.

ITEM 3: Discussion of Cost Trends Report: System Performance Dashboard

Mr. Seltz stated that the HPC's System Performance Dashboard ("dashboard") was informed by the 2014 and 2015 Cost Trends Reports as well as stakeholder and Board feedback. Dr. Marian Wrobel, Director of Research and Cost Trends, explained that the metrics included in the dashboard were chosen based on several criteria. She noted that each had to have valid, regularly reported, up-to-date data.

Dr. Wrobel discussed the metrics included in the dashboard.

Please note that the dashboard can be found here in the 2015 Cost Trends Report.

Mr. Lord commented that premiums often rise faster in the small group market than in the overall market. He noted that DOI recently held a hearing on the issue. He asked whether the HPC could report small group market premiums in the dashboard. Dr. Wrobel responded in the affirmative.

Dr. Everett noted that the first section of metrics includes sequential year-to-year comparisons of data while the second section uses non-sequential data. She asked whether the HPC could obtain sequential data for all metrics. Dr. Wrobel responded that the HPC would attempt to gather this data for future iterations of the dashboard.

Dr. Cutler asked for a summary of the section as a whole. Dr. Wrobel replied that the Commonwealth differs from the nation in that it has good access and a relatively advanced primary care delivery system. She noted that Massachusetts also has very high hospital use.

Dr. Everett commented that metrics 11 and 12 should be classified as red squares (performed worse) rather than yellow triangles (performed similar) since the lack of change in these areas symbolizes a failure for the Commonwealth. Mr. Seltz replied that the decision on how to categorize the performance was based objectively on the data. He noted that the categorizations do not reflect a value judgment on what the data means for the Commonwealth. Mr. Seltz noted that the coding helps draw attention to areas that need further examination and help set agency priorities.

Mr. Seltz stated that the Board should discuss the potential of setting agency goals for the performance of the Commonwealth that can be measured by the dashboard.

Mr. Lord asked for clarification on the difference between the measurement of the largest systems and the most expensive. He asked whether "largest" referred only to size. Dr. Wrobel confirmed this definition.

Dr. Everett noted that there is data that demonstrates progress on the adoption of APMs, but that the same cannot be said for progress on creating a high-quality care delivery system. She commented that this should be an area of focus for the HPC. Dr. Everett added that the data under the Value-Based Market section illustrate that more work needs to be done in this area.

Mr. Lord noted that enrollment in tiered network products was relatively flat in the previous year and that the percentage of discharges from high cost hospitals actually increased. Dr. Cutler concurred and noted that there has been little success on the demand side in encouraging consumers to use high quality, low cost care. He added that an ongoing issue is how to deliver lower costs as a result of a more efficient health care.

Mr. Seltz noted that bringing costs down takes time. He added that the HPC will continue to focus on the adoption of APMs and consumer engagement. Dr. Cutler commented that significant time has already transpired and with little progress.

Dr. Everett commented that she too understands that time is an important variable. She noted that providers are working very hard to make important changes. She added that some progress has been made, as demonstrated by last year's improvement in CMS readmission numbers.

Dr. Cutler asked how the Board could use the dashboard moving forward to better prepare for the Cost Trends Hearing. Mr. Seltz replied that the 2015 Cost Trends Report will include a list of policy recommendations that can be discussed at the Hearing.

Dr. Everett noted the importance of highlighting certain areas that are recalcitrant in the Commonwealth's efforts to move towards a more efficient system. She stated that readmission rates, unnecessary use of the emergency department, post-acute care, C-section rates, and behavioral health integration are examples of such areas.

Dr. Cutler commented that the dashboard has allowed him to better grasp where the Commonwealth stands with regards to the metrics included. Mr. Lord concurred.

ITEM 4: Discussion of 2016 Research Agenda

Dr. Wrobel presented possible research topics for the 2016 and provided the routine system-wide data update.

Dr. Wrobel explained that the HPC is working with CHIA to validate MassHealth data from the APCD. She also highlighted a project with CHIA that will assess measures of spending growth for hospitals and specialist physician groups.

Dr. Everett noted that there have been various issues with data validation for the APCD. She added that the Board should discuss the pros and cons of using the APCD's data. Dr. Wrobel responded that the HPC has spent significant time working to improve the APCD.

ITEM 5: Schedule of Next Meeting

Members of the public offered comment.

Dr. Cutler adjourned the meeting at 10:53AM.