

COMMONWEALTH OF MASSACHUSETTS
HEALTH POLICY COMMISSION

Administration and Finance
Committee

March 2, 2016



Agenda

- **Budget Background**
- Fiscal Year 2013 – Fiscal Year 2016
- Fiscal Year 2016 Budget and Mid-Year Update
- Fiscal Year 2017 Budget Submission and Assessment
- Approval of Technical Assistance Contract Extension
- Schedule of Next Meeting (July 2016)



HPC Trust Funds

Health Care Payment Reform Trust Fund

HPC's primary operational fund supports payroll, program development and operations, rent, professional services, and administrative support.

- Primary Purposes:
 - To support the programs and operations of the HPC
 - To foster innovation in health care payment and service delivery through a competitive grant program ("Innovation Investment")
 - Technical assistance and provider supports related to the PCMH/ACO certification programs
- Funded by:
 - Ch.224 one-time industry assessment (~\$11M over 4 years)
 - 23% of any gaming license fees
 - Ongoing industry assessment (starting in FY17)

Distressed Hospital Trust Fund

HPC's fund for the Community Hospital Acceleration, Revitalization, and Transformation (CHART) Investment Program.

- Primary Purposes:
 - Grants to CHART hospitals
 - Administrative costs related to the CHART program, including:
 - Program development
 - Program operations
 - Technical assistance
 - Awardee engagement and support
 - Monitoring and evaluation
- Funded by:
 - Ch.224 one-time industry assessment (~\$120M total over 4 years)

*Admin. costs limited to 10% of overall funding

HPC Budget Overview

Chapter 224 Background

- Chapter 224 of the Acts of 2012 (Ch.224) dedicated one-time, non-tax revenues to be administered by the HPC through assessments on certain health care market participants and a portion of casino gaming licenses.
- These funds, allocated to the **Health Care Payment Reform Trust Fund (HCPRTF)** and the **Distressed Hospital Trust Fund (DHTF)**, collectively support the HPC operations, policy programs, professional services, investment programs, market monitoring, and provider engagement initiatives necessary to promote a more affordable, effective, and accountable health care system in Massachusetts.
- These one-time revenues were designed to provide a multi-year “*glide-path*” for the HPC to build capacity, make phased investments, and develop objective, evidence-based programs and policies.
- Since its establishment in 2012, the HPC has aimed to be a model of cost-effective, efficient, transparent, high-performing government.

FY16 Approved Budget and FY17 ANF Submission

The Health Policy Commission’s board voted to approve FY16 operating budgets for both Trust Funds in July. The current budgets are fully supported by existing Trust Fund balances.

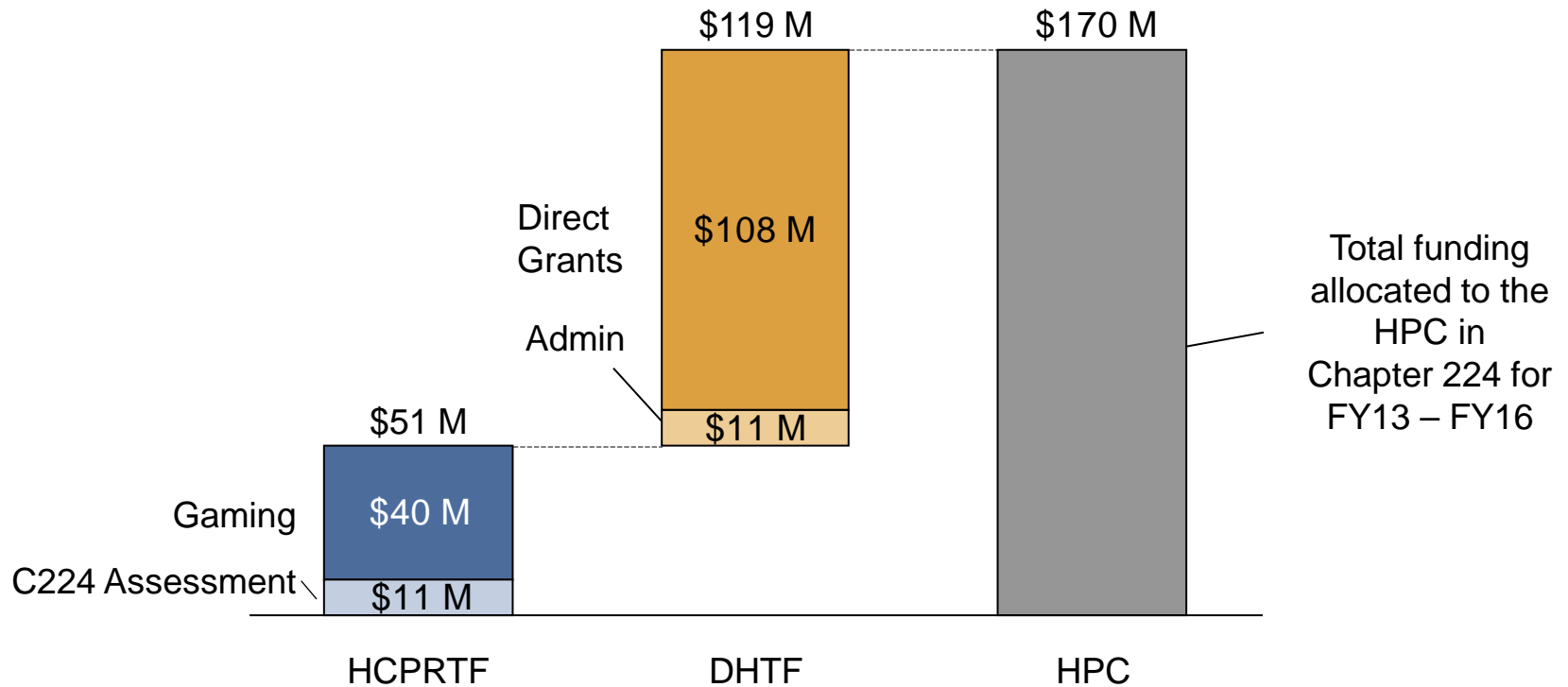
Beginning in FY17, HPC operations and programs (less expenses related to the CHART program) will be funded by a new annual assessment on hospitals, ambulatory surgery centers, and health plans. The assessment amount will require approval by the Legislature in the FY17 state budget. HPC staff submitted information to the ANF regarding the HPC’s FY17 budget in late November.

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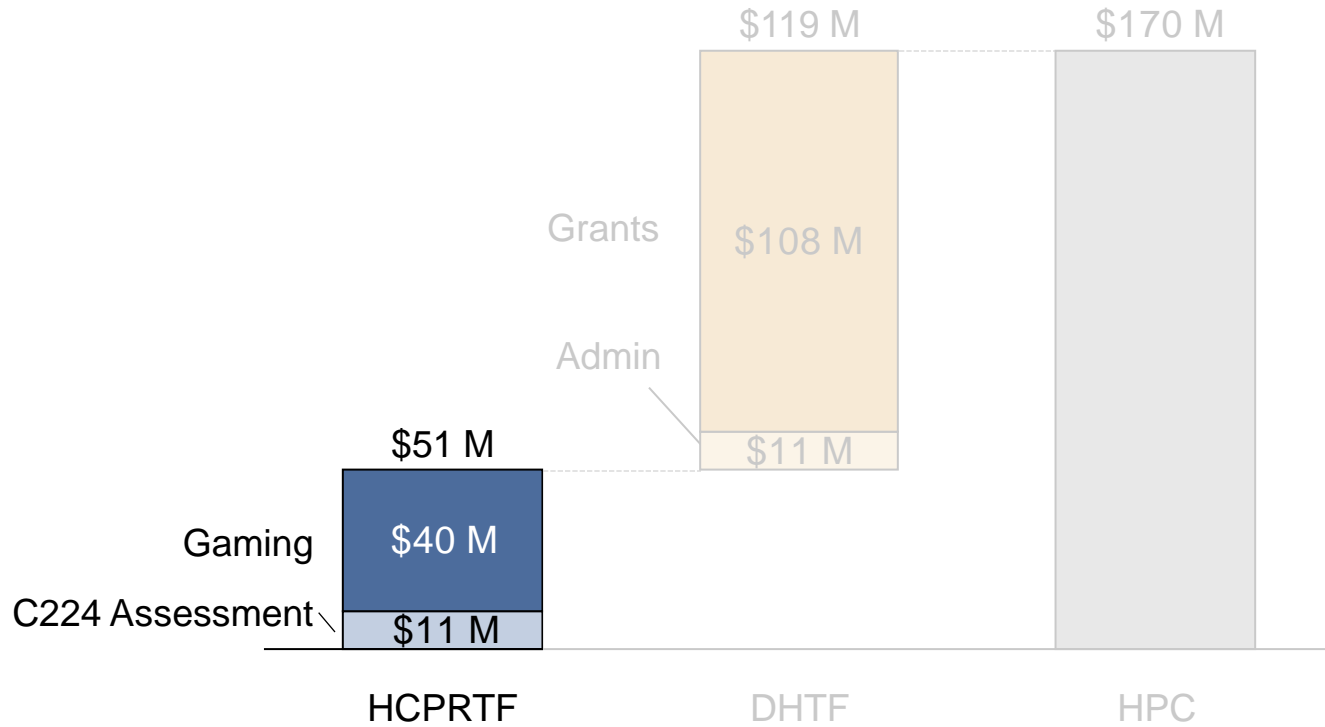
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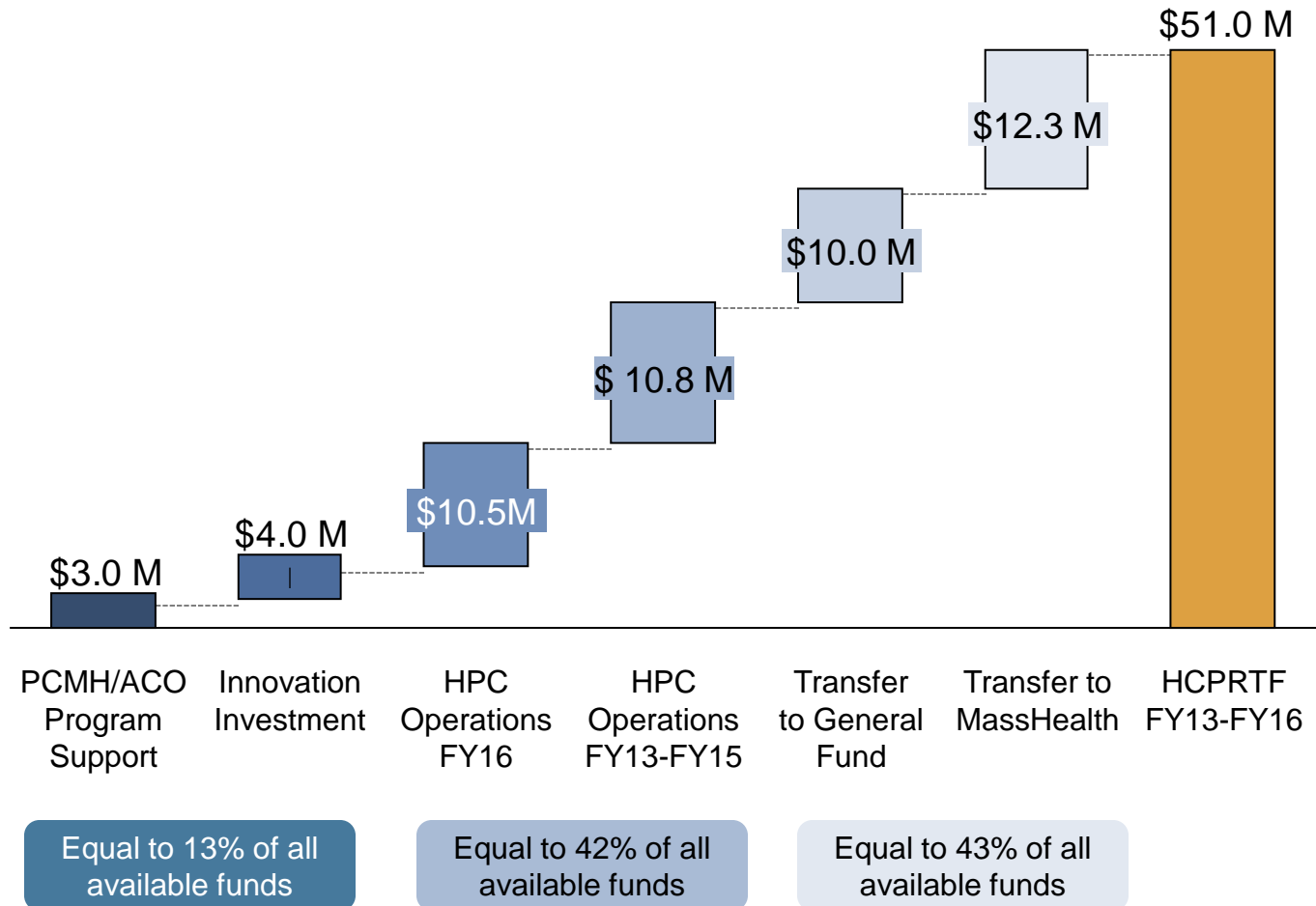
Chapter 224 envisioned a four year implementation “glide path” for the HPC with dedicated one-time funds



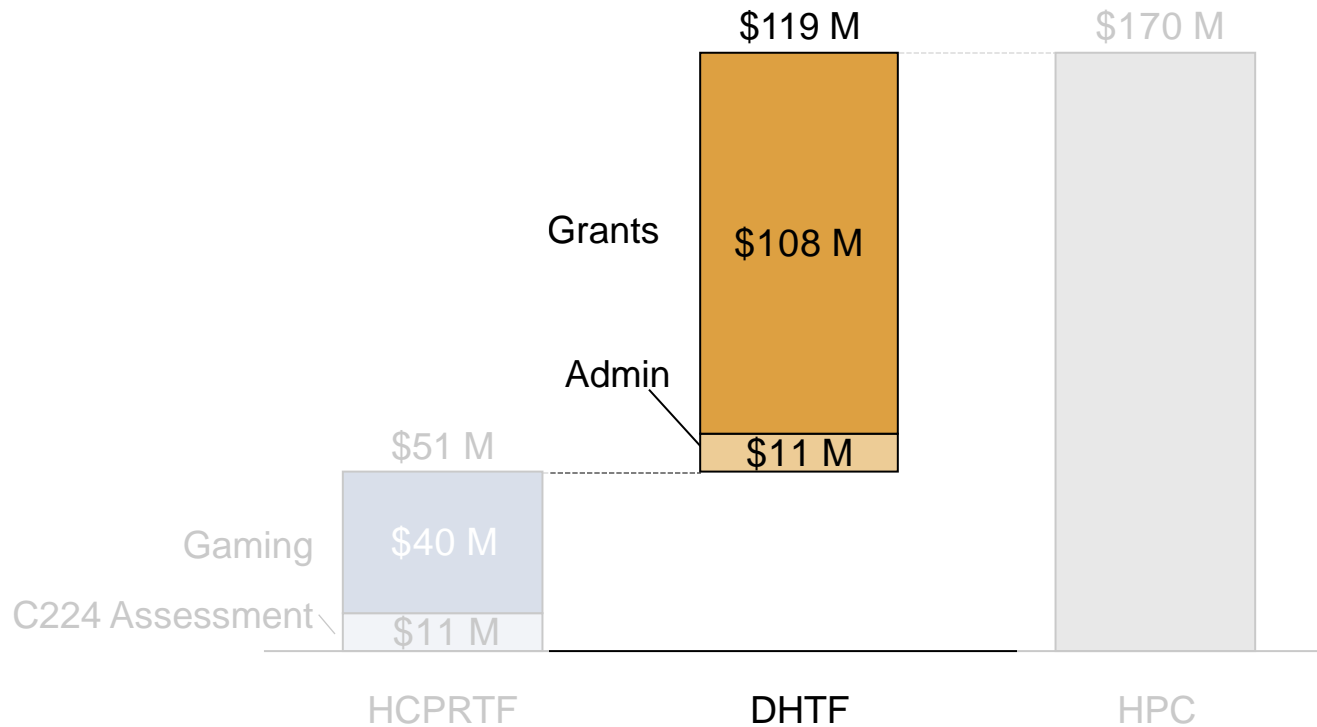
Ch. 224 allocated \$51M to the HCPRTF for HPC operations, health care innovation investments, and direct provider supports.



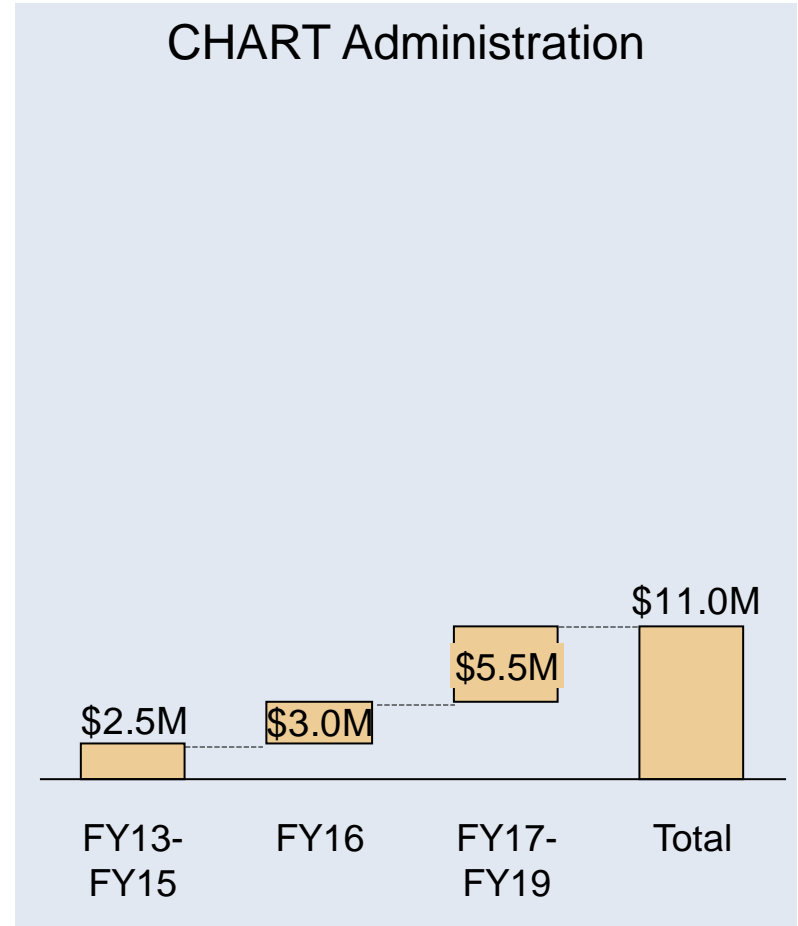
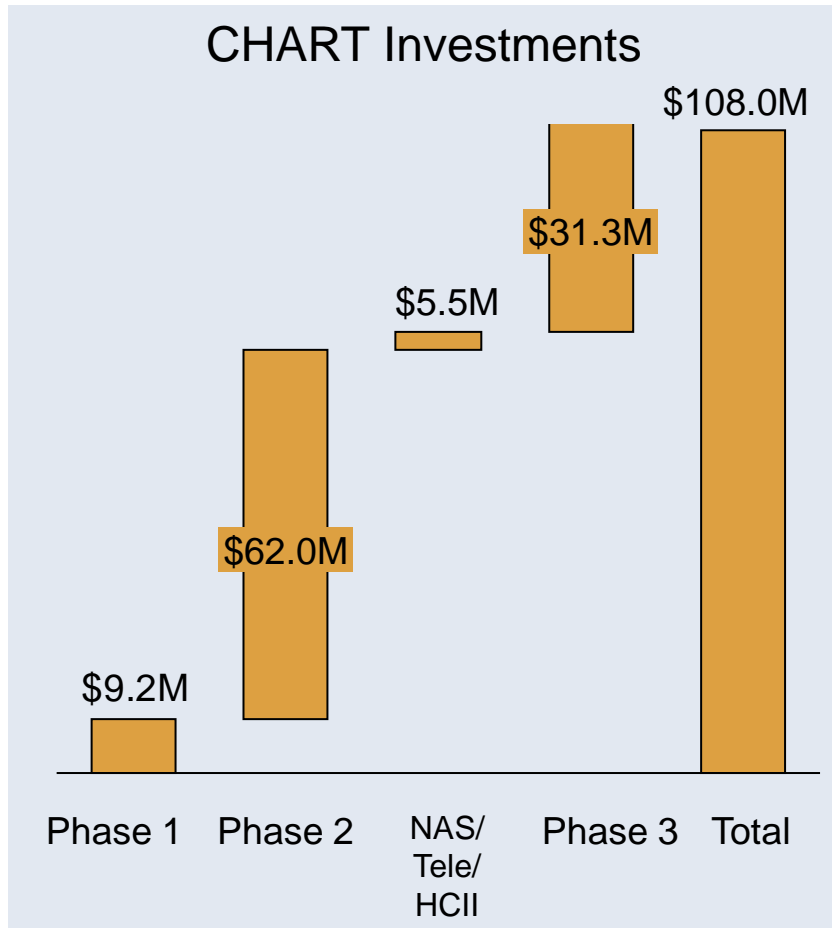
The current balance of the HCPRTF is fully dedicated for transfers to the state budget, operations, and innovation investments/supports



The CHART Investment Program has a budget of \$119M for operations and investments.

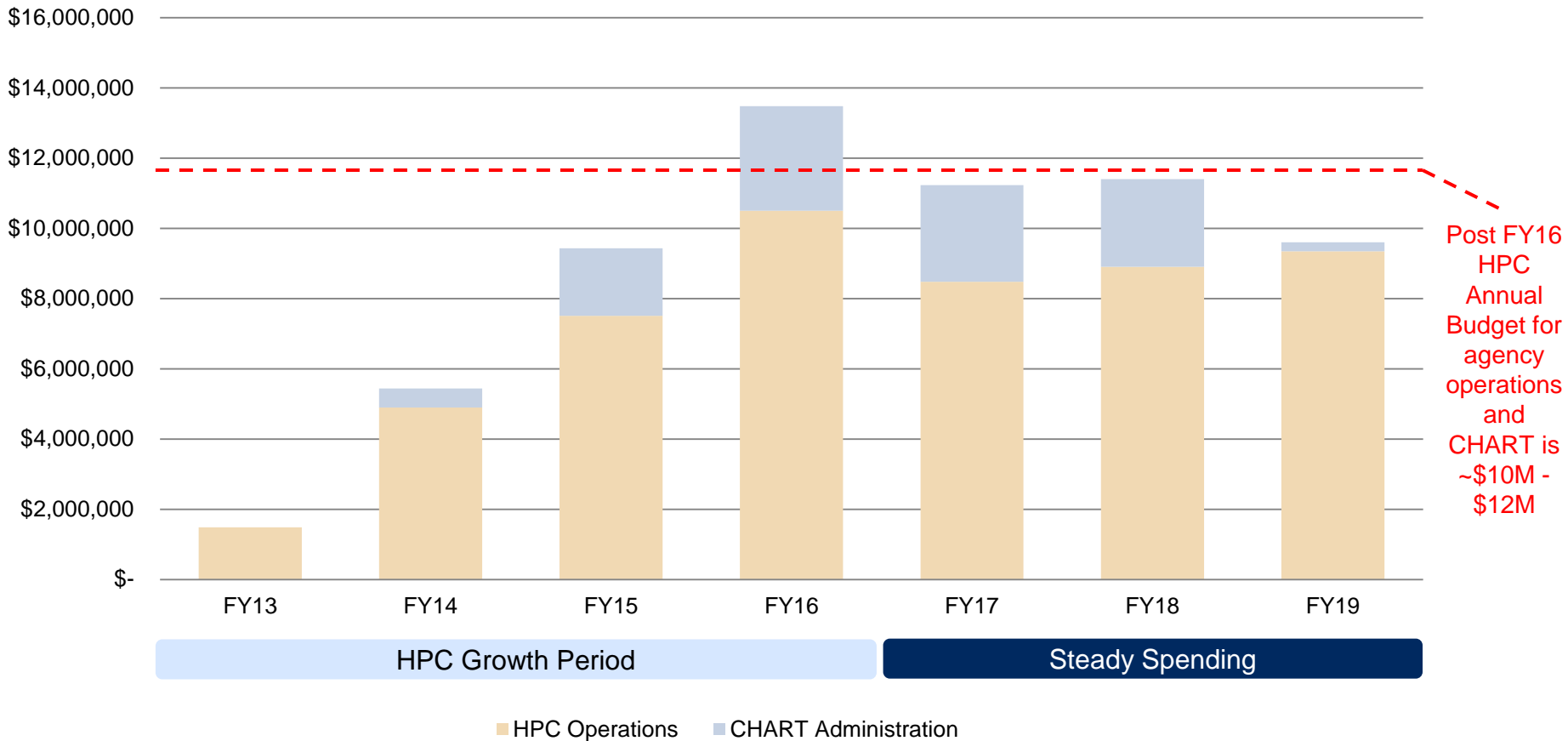


The \$119M assessment that funds CHART is budgeted for the five year duration of the program with the most spend in Phase 2 (FY16/FY17).



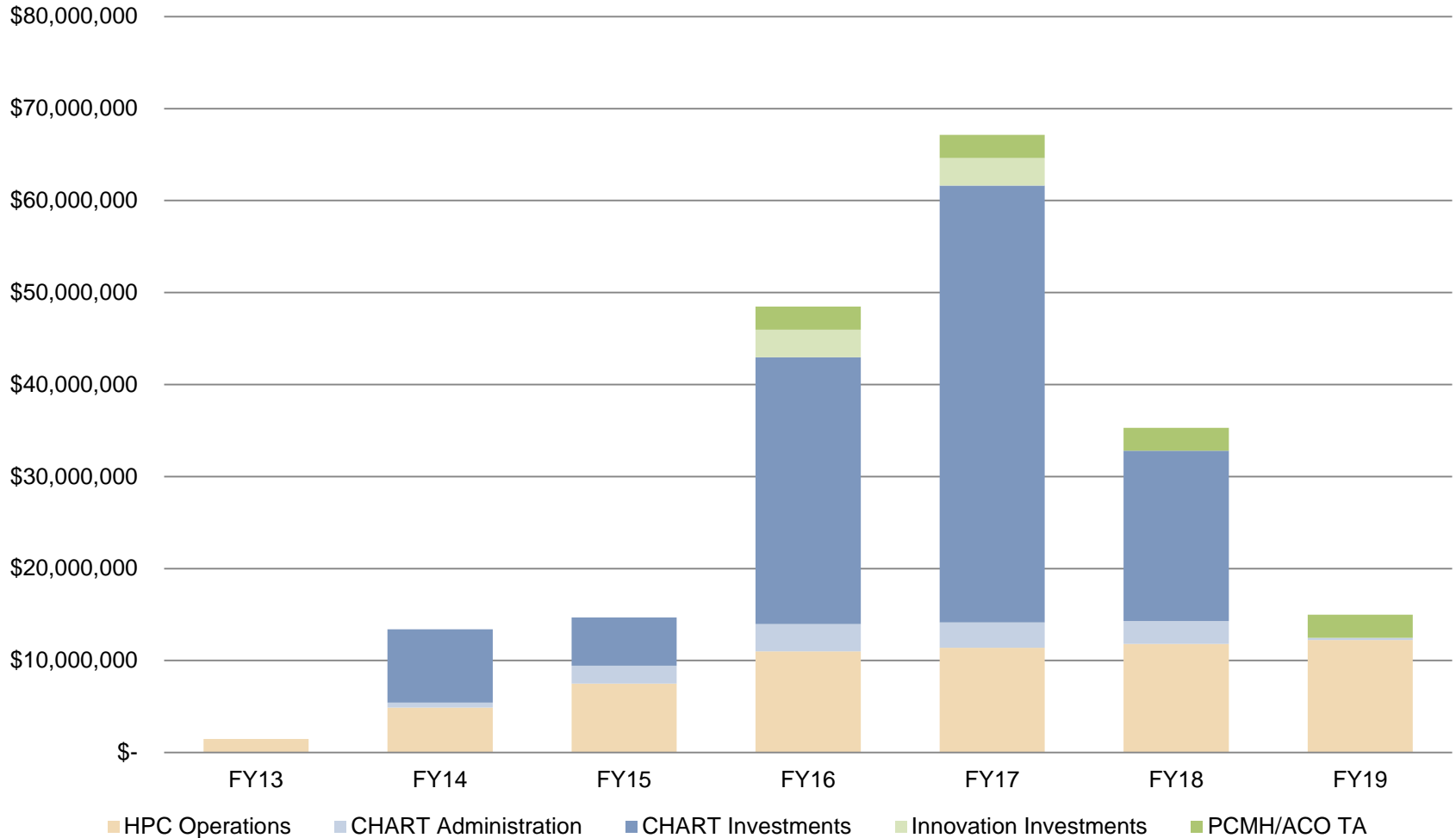
Looking forward: HCPRTF and DHTF operating expenses are anticipated to reach steady-state FY17-FY19

HPC Combined Budget: FY13-FY19



Looking forward: the HPC plans significant market investments to spur innovation and accelerate health care system transformation

Total HPC Projected Spending: FY13-FY19

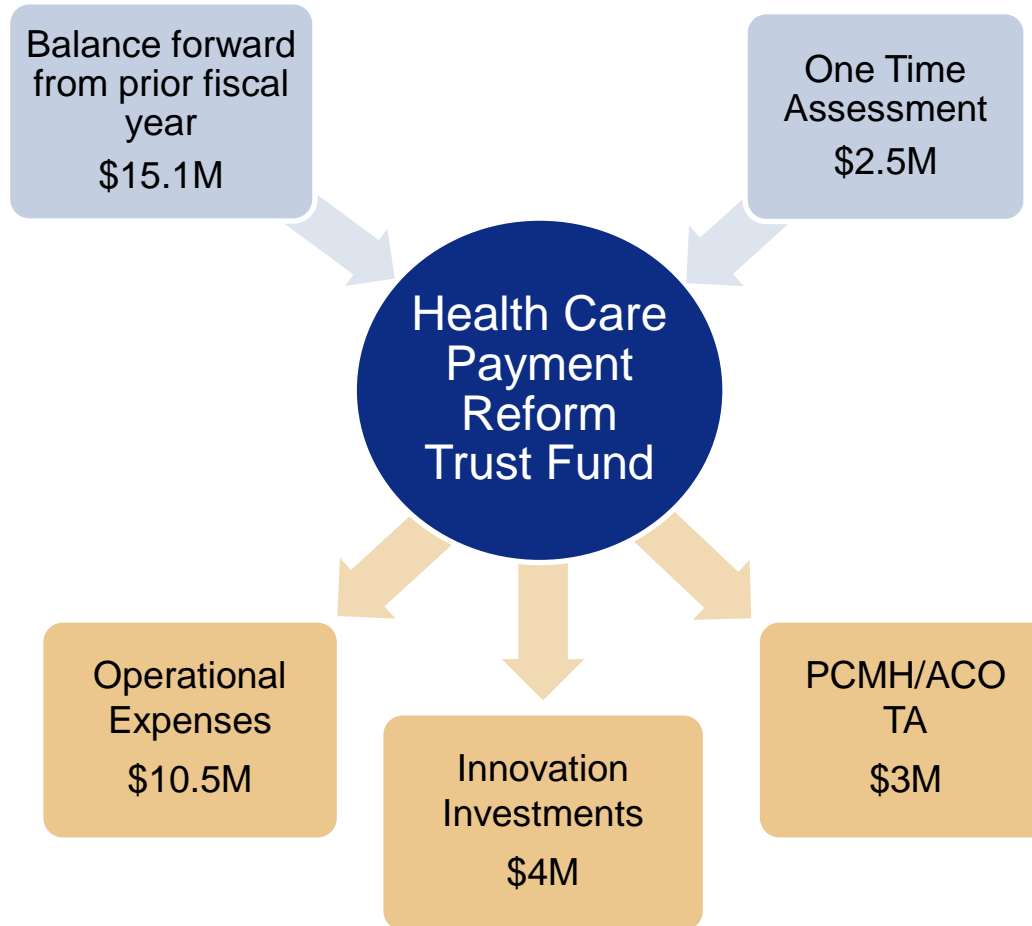


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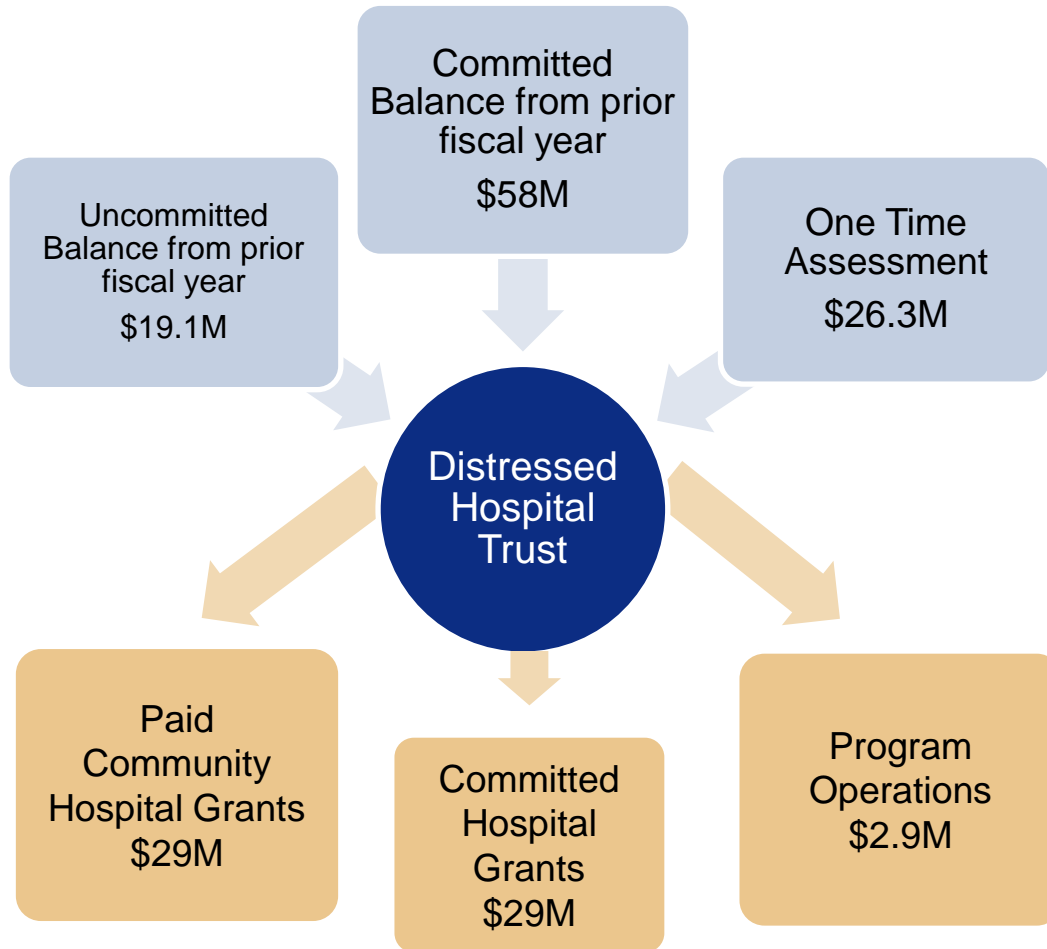
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FY16 Budget – HCPRTF Components

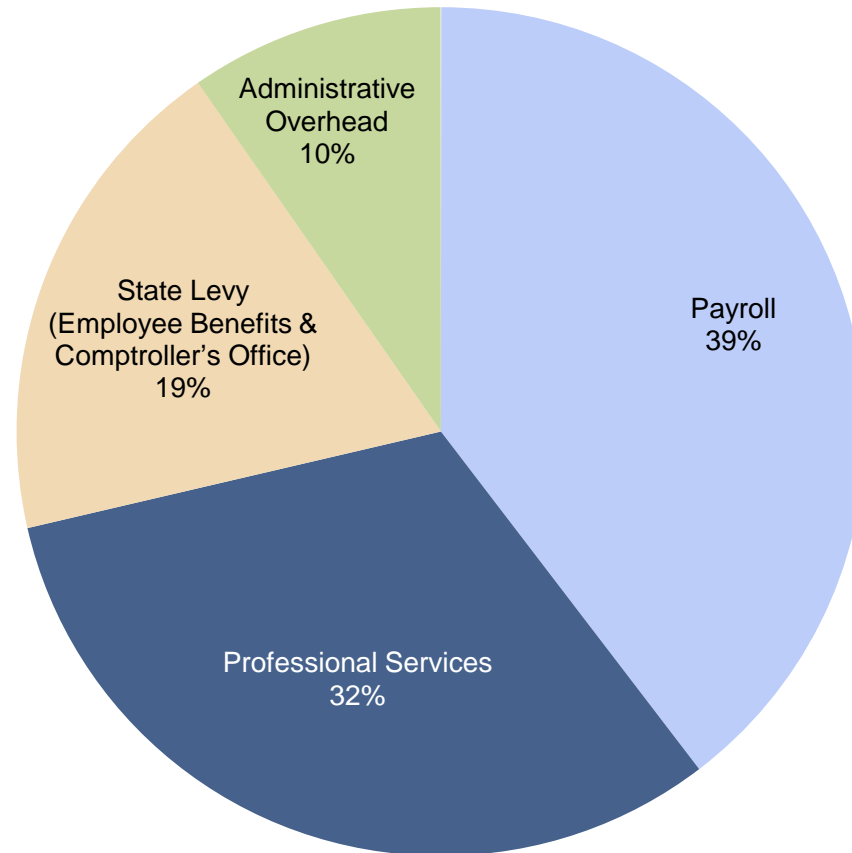


FY16 Budget – DHTF Components



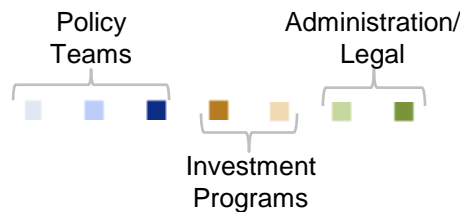
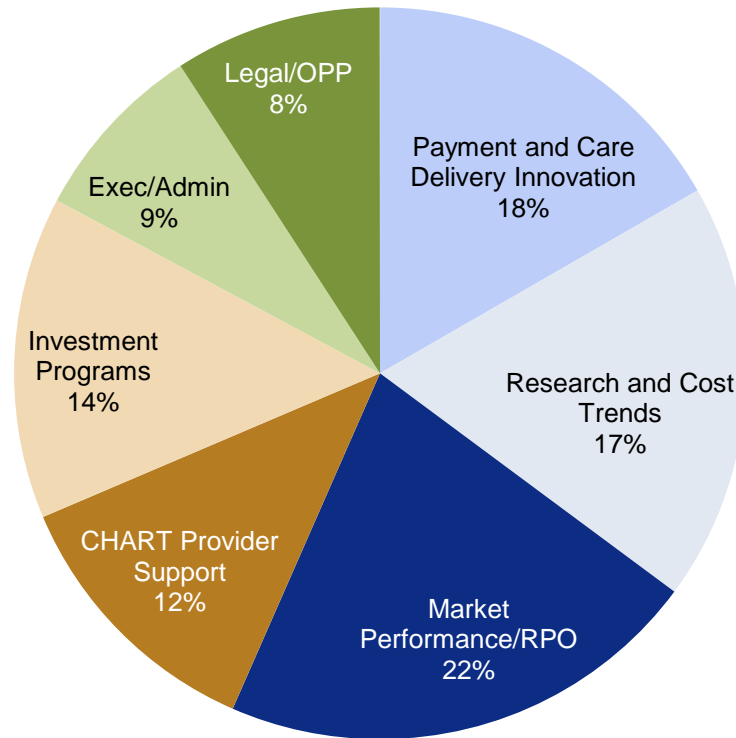
FY16 Approved Budget – Spending Graphs

Total Proposed Spending by Major Category (FY16)




FY16 Approved Budget – Spending Graphs


Total Spending by Program (FY16)



FY16 Budget Mid-Year Update – Variance Tracking

Notable Variances

- Salary and Benefits 
 - Through mid-year, salary and benefit spending is below initial projections due to staff turnover and rolling staff hiring. Most remaining open positions expected to be filled in Q3-Q4 with full staffing by beginning of FY17.

- Professional Services 
 - Through mid-year, professional services spending is below initial projections, however, many anticipated workstreams in Q3 and Q4 will rely heavily on expert consultant support, including two CMIRs, the ACO certification IT platform development and launch, HCII program launch, and ongoing CHART technical assistance for Phase 2 projects
 - Notable outstanding procurements for professional services includes a third-party evaluation firm for the CHART program and additional technical assistance support for PCMH, ACO, and CHART programs

- Other major categories are tracking to approved budget. Any “surplus” will remain in the appropriate Trust Fund.

- Other Mid-Year Issues for Discussion
 - FY16 Budget Initiatives
 - CHART Program Audits

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HPC Budget Overview – Assessment Background

New Operating Budget Assessment - Background

- Effective for FY17, under ch. 224 *“Each acute hospital, ambulatory surgical center and surcharge payor shall pay to the commonwealth an amount for the estimated expenses of the commission.”* (M.G.L. c. 6D, s. 6)
 - The assessed amount for hospitals and ambulatory surgical centers shall be *not less than 33 per cent* of the amount appropriated by the general court and the assessed amount for surcharge payors shall be *not less than 33 per cent*
- **For providers**, the assessed amount is based on ratio of net patient service revenue (biggest providers pay the biggest share)
- **For payers**, the assessed amount is based on the payer contribution’s to the Health Safety Net Trust Fund (identical to current payer assessment methodology)
- The administration of the new industry assessment may require a new HPC **regulation** which entails a full regulatory process and Board approval.

New Operating Budget Assessment – Net Impact on Payers/Hospitals

- NOTE: The total cost of this new assessment to market participants will be more than off-set by the sunset of the Ch.224 assessment
- For example: Blue Cross Blue Shield will pay the Commonwealth **\$18 million** this year under the final one-time assessment collection. Under the new HPC assessment, BCBS’s annual payment will drop to **~\$2 million (88% reduction)**
- Hospitals will be affected slightly differently. Hospitals subject to the one-time assessment (Partners, Care Group, Childrens) will all receive significant financial relief even with a new HPC assessment. All other hospitals will be newly included in the on-going assessment, although the payments will be relatively small.

Role of the HPC Trust Funds moving forward

Health Care Payment Reform Trust Fund

While operational expenses will shift to the new line-item beginning in FY17, the HPC will still administer the Health Care Payment Reform Trust Fund. The balance will continue to support spending for direct assistance and investments of health care innovation and transformation. Moving forward the Trust will support:

1. First phase of Health Care Innovation Investments as awarded by the Board, anticipated distribution through FY18;
2. Direct provider technical assistance support for PCMH and ACO certification programs, anticipated to support work through FY18;
3. Public or private grants awarded to the HPC (e.g. RWJF grant); and,
4. Special one-time projects as approved by the Board;

Future rounds of HCII and TA will require additional revenue deposits to the Trust Fund.

Distressed Hospital Trust Fund

The balance of the Distressed Hospital Trust Fund will continue to support community hospitals eligible under the Community Hospital Acceleration, Revitalization, and Transformation (CHART) Investment Program, including both direct grants and administrative costs.

In addition to Phase 2 and Phase 3 of CHART grants, the Trust will also support grants to CHART-eligible hospitals awarded through the following opportunities:

1. Health Care Innovation Investment
2. Neonatal Abstinence Syndrome
3. Telemedicine

The Trust will support the CHART program and other related grants activities through FY19. Future phases of CHART will require additional revenue deposits to the Trust Fund.

The Governor's proposed FY17 budget assumes level-funding for the HPC's operating budget

CATEGORY	APPROVED FY16 BUDGET	H.2 FY17 BUDGET
Payroll	\$ 4,521,710	\$ 4,670,958
Rent and Electric	\$ 555,040	\$ 608,792
Professional Services	\$ 2,800,000	\$ 2,700,000
Transfer out to CHIA	\$ 133,000	\$ 50,000
Office Expenses	\$ 274,550	\$ 254,550
UU Information Technology	\$ 195,500	\$ 195,500
Total Budget without Assessments/Appropriations	\$ 8,479,800	\$ 8,479,800
Employer Share Fringe Benefits	\$ 1,244,621	\$ 0
Office of the State Comptroller Oversight Assessment	\$ 739,831	\$ 0
Total Budget with Assessments	\$ 10,464,252.00	\$ 8,479,800
FY16 Budget Appropriations for Pilot Programs	\$ 1,350,000	Unknown
Governor's 9C Cuts	(\$250,000)	
Total Budget with Assessments and Appropriations	\$ 11,564,252.00	\$8,479,800

Operating Budget Assessment – Proposed Timeline for Regulatory Development



April, 2016: ANF Committee Meeting

Vote to advance proposed regulation to HPC Board

April 27, 2016: HPC Board Meeting

Vote to advance proposed regulation to public comment and hearing process

May-June, 2016: Public Hearing on Proposed Regulation; Public Comment Period

July, 2016: ANF Committee Meeting

Discussion of recommended final regulation; vote to advance final regulation to HPC Board

July 27, 2016: HPC Board Meeting

Discussion of recommended final regulation; vote to authorize final recommendation

August 12, 2016: Effective Date

October 1, 2016: Preliminary payments due to the HPC

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Accountable Care Project Management Contract Extension

Description

The Executive Director is seeking the Committee's endorsement of a proposed amendment to the Commission's contract with **Accenture, LLP** for an additional amount of up to \$100,000 through June 30, 2016.

Since October 2015, Accenture consultants have been supporting the PCMH and ACO certification programs with project management activities, including developing detailed implementation plans, process maps, and business requirements (for an ACO submission platform).

Over the next three months, Accenture's specific tasks will include expanding the ACO project plan to include new workstreams such as technical assistance; assisting with the identification or procurement of a technical platform for ACO submissions; and providing training to HPC staff to assume project management activities at the end of their engagement.

Vote: Approving Contract Extension

Motion: That, pursuant to Section 6.2 of the Health Policy Commission's By-Laws, the Administration and Finance Committee endorses the recommendation of the Executive Director to amend the Commission's contract with Accenture, LLP for an additional amount of up to \$100,000 through June 30, 2016, for project management support for the PCMH and ACO certification programs, subject to further agreement on terms deemed advisable by the Executive Director, and recommends that the Board approve this recommendation at its meeting on March 2, 2016.

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