MINUTES OF THE HEALTH POLICY COMMISSION

Meeting of September 11, 2019

MASSACHUSETTS HEALTH POLICY COMMISSION

Date of Meeting: September 11, 2019

Start Time: 12:04 PM

End Time: 2:37 PM

	Present?	**ITEM 1: Appointment of Vice Chair**	**ITEM 2: Approval of Minutes**	**ITEM 3: Fiscal Year 2020 Budget**
Stuart Altman*	A	A	A	A
Don Berwick	X	X	X	X
Barbara Blakeney	X	X	X	X
Martin Cohen	X	X	X	X
David Cutler	X	2nd	2nd	X
Timothy Foley	X	X	X	X
Chris Kryder	X	X	X	X
Rick Lord	A	A	A	A
Ron Mastrogiovanni	X	X	X	M
Sec. Marylou Sudders	X	M	M	2nd
Sec. Michael Heffernan	X	X	X	X
Summary	**9 Members Attended**	**Approved with 9 votes in the affirmative**	**Approved with 9 votes in the affirmative**	**Approved with 7 votes in the affirmative**

Presented below is a summary of the meeting, including time-keeping, attendance, and votes.

*Chairman

(M): Made motion; (2nd): Seconded motion; (ab): Abstained from Vote; (A): Absent from Meeting

Proceedings

A regular meeting of the Health Policy Commission (HPC) was held on September 11, 2019, at 12:00 PM. A recording of the meeting is available here. Meeting materials are available on the Board meetings page here.

Commissioners present included: Dr. Donald Berwick, Ms. Barbara Blakeney; Mr. Martin Cohen; Dr. David Cutler; Mr. Timothy Foley; Dr. John Christian "Chris" Kryder; Mr. Ron Mastrogiovanni; Undersecretary Lauren Peters, designee for Secretary Marylou Sudders, Executive Office of Health and Human Services; and Ms. Cassandra Roeder, designee for Secretary Michael Heffernan, Executive Office of Administration and Finance.

Mr. Cohen called the meeting to order at 12:04 PM and turned the presentation over to Mr. David Seltz, Executive Director.

ITEM 1: Appointment of Vice Chair

Mr. Seltz welcomed members of the public. He outlined the day's agenda and passed along a message from Dr. Stuart Altman (Chair). He turned the presentation over to Undersecretary Peters.

Undersecretary Peters made a motion to appoint Mr. Cohen as the Vice Chair of the HPC's Board. Dr. Cutler seconded the motion. The motion was approved unanimously.

Mr. Cohen thanked the other commissioners

ITEM 2: Approval of Minutes

Mr. Cohen called for a vote to approve the minutes from the July 24, 2019, Board meeting. Undersecretary Peters made the motion to approve the minutes. Dr. Cutler seconded it. The motion was approved unanimously

ITEM 3: Market Oversight and Transparency

Mr. Seltz provided an overview of the day's agenda.

Item 3a: Notices of Material Change

Mr. Seltz introduced Ms. Megan Wulff, Director of Market Oversight and Monitoring, who provided an update on material change notices (MCNs) received since the last Board meeting. For more information, see slides 9 through 12.

Dr. Cutler asked what the HPC's role would be in reviewing a merger between Harvard Pilgrim Health Care and Tufts Health Plan. Mr. Seltz said that by statute the HPC does not review transactions between two health plans and that the plans would not be required to file MCNs with the HPC. He said that this transaction would be reviewed by the Division of Insurance (DoI). Dr. Cutler asked if the HPC had discretion to analyze the cost impact of the transaction. Mr. Seltz said that the HPC did have discretion to investigate changes that could impact the

market but suggested that it would be helpful to see DoI's findings in the case before determining whether HPC analysis was warranted.

Item 3b: Preview of Market Retrospective Study and Hospital Inpatient Coding Analysis

Ms. Katherine Mills, Senior Director, Mr. Sasha Hayes-Rusnov, Senior Manager, Market Oversight and Transparency, and Ms. Wulff presented some preliminary findings from the HPC's market retrospective project. For more information, see slides 14 through 28.

Regarding the chart on slide 17, Dr. Berwick asked what qualified as an independent, non-community hospital. Mr. Hayes-Rusnov said that these were hospitals such as Dana Farber Cancer Institute, and would have formerly included New England Baptist Hospital and Massachusetts Eye and Ear Infirmary before those hospitals consolidated with larger systems.

Undersecretary Peters asked why maternity care was excluded from the chart on slide 19. Mr. Hayes-Rusnov said that evidence suggested that patients' decisions regarding maternity care were influenced by different factors than those at play when seeking other kinds of care. He said that staff had done versions of this analysis that included maternity care if she was interested in seeing it.

Dr. Berwick asked what services were captured in the graph on slide 24. Mr. Hayes-Rusnov said that the data represented both inpatient and outpatient services.

Dr. Kryder said that he would like to see what the operating margins over time were for the hospitals in the presentation and to have those margins broken down into their various components. He said that somewhere in the range of half to two-thirds of the operating margins for many hospitals are revenues derived from discounted pharmaceutical prices from the federal government such as 340B. He said that these entities could face issues if those discounts were to be reduced. Ms. Mills said that this was an excellent point. Mr. Hayes-Rusnov noted that the HPC likely had data it could use to examine this issue.

Dr. Cutler asked whether a forecast about inpatient days in Massachusetts would still suggest that the state had too many hospital beds and if so, to what degree is there overcapacity. Mr. Hayes-Rusnov said that this was a great question and said that staff would consider it, including whether there is variation by service line.

Mr. Seltz turned the presentation over to Dr. David Auerbach, Director, and Dr. Katya Fonkych, Senior Researcher, Research and Cost Trends, who presented on the HPC's inpatient coding analysis. For more information, see slides 29 through 43.

Dr. Berwick asked what portion of patients the risk scores covered on slide 32. Dr. Auerbach said that these risk scores were for the entire book of membership for each plan. Mr. Mastrogiovanni asked if the plans defined the risk score. Dr. Auerbach said that this was a somewhat complicated question but that the answer was essentially, yes. Dr. Kryder noted that a

substantial portion of the membership of each of these plans would generate no claims. Dr. Auerbach said that this was correct and that those members were also captured in the data. He noted that these members would have small risk scores based on criteria such as age and demographic factors. Dr. Kryder said that, since nothing was adjusted up on these members, their risk scores would be flat. Dr. Auerbach confirmed that this was the case. Dr. Berwick said that one could construct a risk score only for members who did have claims. Dr. Kryder said that that might be desirable for the purposes of the HPC's analysis. Dr. Auerbach said that this was a good question to ask but that the percentage of members who did not utilize care generally stayed flat year-over-year so this factor should not significantly impact the findings. He said that the all-in measure was useful for demonstrating what would be expected in terms of total cost. Dr. Kryder said that staff should make sure there was not an outlier plan as far as a percentage of members making no claims that might be skewing the numbers. Dr. Auerbach agreed that staff could do this. Undersecretary Peters said that MassHealth was seeing similar trends to those being presented in its own data.

Ms. Blakeney asked if there was any further information to help explain Harvard Pilgrim's significant rise in risk scores on slide 32. Dr. Auerbach said that this was a great question but that he did not what to focus on the differences by payer at this point as this had not been examined closely.

Regarding slide 33, Mr. Seltz noted that when entities are referred to the HPC by the Center for Health Information and Analysis (CHIA) via the performance improvement plan (PIP) process, they are referred based on health status adjusted (HSA) total medical expenditure (TME) growth, but that the cost growth benchmark was based on unadjusted TME growth. He noted that the risk score growth impacted the Commonwealth's ability to meet the benchmark. He said that this was an important implication for the HPC's ability to monitor spending growth of individual entities and the overall growth for the state.

Mr. Cohen said that the coding data presented was sobering. He asked whether this would be a topic for the cost trends hearing (CTH). Mr. Seltz said that the CTH would be an excellent opportunity to engage in a conversation with industry leaders on this topic. He said that it would be worthwhile for the HPC to try and understand how some of the incentives in the market were driving this behavior.

Dr. Berwick said that if the increases in acuity represented in the presentation had been due mainly to more accurate coding, then there would be a plateau at some point. He asked if there was a sense as to why these numbers had continued to rise. Dr. Auerbach said that this was a good question and noted that staff had not seen a flattening of the numbers to this point. He said that it was possible that organizations were seeing a large return on investment (ROI) by up coding their patient populations. He noted that MassHealth had recently adjusted its weighting system which made sense since, as more sick people were coded into certain categories, eventually there would be overpayment for those categories. He said that if all payers were to take this approach, there might eventually be a plateau in the numbers. Dr. Fonkych noted that there had been some providers whose acuity had plateaued but that others were still increasing leading to the overall positive slope in the acuity graph.

Dr. Kryder noted that independent physician groups that take full risk do less low-value testing than other providers. He said that these organizations were likely to spend less time on coding as their incentives are based on having better patient outcomes. He said that it would be interesting to see the numbers presented split between hospital systems and independent physicians. Mr. Seltz said that the perspective on independent physicians would add a valuable voice to this conversation. Ms. Mills added that coding was a topic on which there were differences of opinion between providers at the system level and front-line clinicians, for whom the burden of EHR management takes away from time with patients. She said that this was an important tension to be cognizant of as well.

Undersecretary Peters noted that this analysis was focused on the inpatient side but said that the most recent cost trends report (CTR) sited outpatient spending was the largest growth category. She asked whether the trends shown here might have any cascading impact on the outpatient trends. Dr. Auerbach said that this was an excellent question. He said that staff were examining this but that it was harder to see the acuity increases on the outpatient side as many of these services are just fixed payments. Dr. Fonkych added that staff had looked at increases in high-severity visits to the emergency department (ED) the for the last CTR.

Dr. Berwick said that it was not plausible that the Commonwealth was getting sicker at the rate shown in this analysis. He said that if it were the case that these increases simply reflected more accurate coding, then hospitals should be seeing better margins and would be able to cover costs that were not previously covered. He asked whether this logic made sense and whether this was a question worth asking. He also asked what policy solutions might be available to address this issue as it would threaten the state's ability to meet the cost growth benchmark. Dr. Cutler said that his sense was that much of this increase was due to actual patient conditions that were previously underreported. He said that he did not believe hospital profit rates shown in CHIA's data were rising substantially. He said that there could be two reasons for this: 1) that payers were making up for this by adjusting their average rate growth or 2) that costs are rising at a significant enough rate that hospitals were not able to profit from the increased acuity. He noted, however, that this was a complex and multi-faceted issue that would not be totally addressed by moving to a global payment model. He said that this was an issue that needed a lot of additional consideration when deciding how to address it. Mr. Mastrogiovanni agreed with Dr. Cutler and said that he doubted that the net margins had increased but added that that did not mean that these hospital systems were not in better financial situations because of these trends. He said that these organizations were generating more revenue and it was an open question as to where this revenue was going. Dr. Berwick asked if Dr. Cutler's point about costs referred to increasing supplier costs. Dr. Cutler said yes. He said he would not be surprised if some of the revenue was going towards things such as inpatient medications but noted that he was speculating on this point. Mr. Seltz said that he did not believe this work was at the stage of being able to suggest policy solutions at this point but that this data helped to frame the problem publicly. He added that staff were eager to hear from stakeholders in the marketplace on their perspectives on these issues. He said that health status adjustment had an important public policy role of ensuring resources were being devoted in the right areas and to ensure that provider systems did not have incentives to avoid sick patients. He said that it was not the intention of this analysis to discount

the value of health status adjustment. Dr. Cutler said that Mr. Mastrogiovanni' s point was a good one and that conducting an overall analysis of the financial situation of hospital systems in the Commonwealth could help to create a more complete picture.

Ms. Blakeney said that one thing that had not been mentioned was the role of coding in clinical research. She said that coding inaccuracies could have major implications for the fidelity of studies in health care. Mr. Seltz said that this was an excellent point.

Mr. Mastrogiovanni said that it might be the case that coding incentives could bias provider to focus on higher-acuity patients for the sake of revenue generation.

Dr. Berwick said that to make sure resources were being properly dedicated, it would make sense to also code for social determinants of health (SDH). He noted that the UK's national health system does this through its area deprivation index which plays a role in allocating the systems' budget. Mr. Seltz noted that MassHealth had begun to incorporate SDH into their risk adjustment tools in the MassHealth ACO program.

Dr. Kryder said that it might be helpful to see where both payers and providers were allocating their workforces to get an idea of how many employees were being dedicated to coding. He asked if the HPC had the ability to get this information. Mr. Seltz said that the HPC had the authority to request this information but may not have the ability to compel organizations to provide it. He said that this would be an interesting datapoint to have and that staff would try to get information from a payer and a provider to help shed some light on this question.

Mr. Cohen thanked the staff and the Board for the discussion of this topic.

Dr. Kryder left the meeting at this time.

ITEM 4: Publications

Mr. Seltz provided an overview of the publication portion of the meeting.

Item 4a: DataPoints #14 Out-of-Network Billing Benchmarks

Mr. Seltz turned the presentation over to Ms. Katherine McCann, Assistant General Counsel, who presented on the latest issue of HPC DataPoints on out-of-network (OON) billing. For more information see slides 46-48.

Item 4b: CHART Program Impact Brief

Ms. Kelly Hall, Senior Director, Health Care Transformation and Innovation, presented on the CHART program impact brief. For more information, see slides 50-55.

Ms. Blakeney asked if there were additional steps the HPC could take to more widely disseminate the lessons outlined in the impact brief. Ms. Hall said that developing an effective strategy for learning and dissemination of this information would be a critical follow-up step. Ms. Blakeney said that it might be worthwhile contemplating outreach to payers and not only to providers during this dissemination process to demonstrate what they might want to be

incentivizing. She said that thinking as broadly as possible regarding this would help advance the standard of care across the system. Ms. Hall agreed and thanked Ms. Blakeney for her comments.

Dr. Berwick left the meeting at this time.

Item 4c: Preliminary Results of Prescription Drug Coupon Study

Ms. Sara Sadownik, Deputy Director, and Ms. Yue Huang, Research Associate, Research and Cost Trends, presented the preliminary results of prescription drug coupon study. For more information, see slides 57-67.

Undersecretary Peters asked if staff knew what the prevalence of drug coupon use for non-chronic diseases was. Ms. Sadownik said that this was a great question and that staff would have to consider what was the best way to summarize this given the way drugs were categorized in this analysis. Undersecretary Peters said that it seemed to her, from a business standpoint, that it would be strategic for manufacturers to offer coupons for drugs targeted at chronic conditions. She said that it would be interesting to see what that prevalence was.

ITEM 5: COST TRENDS HEARING PREVIEW

Mr. Seltz provided an overview of the HPC's contracting process with Brandeis University for evaluation services which can be seen here.

Mr. Seltz provided an overview of plans for the upcoming CTH. For more information, see slides 69-70.

ITEM 6: FY20 BUDGET APPROVAL

Mr. Seltz provided a brief overview of the budget portion of the presentation.

Item 6a: New FY 2020 Responsibilities

Mr. Seltz provided an overview of the HPC's new responsibilities for Fiscal Year (FY) 2020. For more information, see slides 81-83.

Mr. Cohen asked whether with its new responsibilities the HPC would have the authority to look at drug prices in other jurisdictions as part of its review process. Mr. Seltz said yes.

Ms. Blakeney asked what the next step in the review process would be should the HPC deem a drug excessively expensive. Mr. Seltz said that this was the final step in the process as currently contemplated. He said that the HPC determination would carry a good deal of weight in the market and could help to strengthen MassHealth's negotiating ability.

Item 6b: FY 2019 Summary

Mr. Seltz provided a summary of FY 2019. For more information, see slides 81-83.

Item 6c: FY 2020 Proposal

Mr. Seltz reviewed the HPC's FY 2020 budget proposal. For more information, see slides 85-90.

Mr. Cohen called for a vote to approve the HPC's operating budget for 2020. Mr. Mastrogiovanni made the motion to approve the budget. Undersecretary Peters seconded it. The motion to approve the budget was passed with 7 votes in the affirmative.

Mr. Cohen adjourned the meeting at 2:37 PM.