

MINUTES OF THE HEALTH POLICY COMMISSION

Meeting of July 17, 2014

MASSACHUSETTS HEALTH POLICY COMMISSION

THE HEALTH POLICY COMMISSION
Gardner Auditorium
Massachusetts State House
24 Beacon Street
Boston, MA

Docket: July 17, 12:00PM

1. Approval of Minutes from July 2, 2014 (VOTE)
2. Executive Director Report
3. 2013 Cost Trends Report: July 2014 Supplement
4. All-Payer Claims Database (APCD) Almanac
5. Submission into Court Authorized Public Comment Period (VOTE)
6. Schedule of Next Commission Meeting (September 3, 2014)

Health Policy Commission

Date of Meeting: Thursday, July 17, 2014

Beginning Time: 1:08 PM

End Time: 2:39 PM

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

Board Member	Attended	ITEM 1	ITEM 5
		Approval of Minutes from July 2, 2014	Approval of Submission into Court Authorized Public Comment Period
Carole Allen	A**	A	A
Stuart Altman*	Yes	Yes	Yes
David Cutler	Yes	Yes	Yes
Wendy Everett	Yes	Yes (2 nd)	Yes (M)
Paul Hattis	Yes	Yes	Yes
Rick Lord	Yes	Yes (M)	Yes
John Polanowicz	A	A	A
Glen Shor	Yes	A	Yes
Marylou Sudders	Yes	Yes	Yes (2 nd)
Veronica Turner	Yes	Yes	Yes
Jean Yang	Yes	Yes	Yes
Summary	9 Members Attended	Approved with 8 votes in the affirmative	Approved with 9 votes in the affirmative

*Chairman

** Unsuccessful attempts were made to teleconference with Dr. Allen.

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

PROCEEDINGS

A regular meeting of the Massachusetts Health Policy Commission was held on Thursday, July 17, 2014 at 1:00 PM in Gardner Auditorium at the Massachusetts State House, Boston, MA.

Commissioners present included Dr. Stuart Altman (Chair); Dr. Wendy Everett (Vice Chair); Dr. David Cutler; Dr. Paul Hattis; Mr. Rick Lord; Ms. Marylou Sudders; Ms. Veronica Turner; and Ms. Jean Yang.

Mr. Glen Shor, Secretary, Executive Office of Administration and Finance, arrived late.

Mr. John Polanowicz, Secretary, Executive Office of Health and Human Services, was absent.

Chair Altman called the meeting to order at 1:08 PM and reviewed the agenda.

ITEM 1: Approval of the Minutes from the July 2, 2014 Meeting

Chair Altman solicited comments, additions, or corrections to the minutes from the July 2, 2014, board meeting.

Chair Altman called for a motion to approve the minutes as presented. **Mr. Lord** made a motion to approve the minutes. After consideration upon motion made and duly seconded by **Dr. Everett**, the board voted unanimously to approve the minutes from the July 2, 2014, meeting.

Voting in the affirmative were the eight members present. There were no abstentions and no votes in opposition.

ITEM 2: Executive Director Report

Chair Altman introduced Mr. David Seltz, Executive Director, to provide an update on recent HPC activities.

Mr. Seltz reviewed the day's agenda items. The board would hear a summary of the key findings from the July 2014 Supplement to the 2013 Cost Trends report. The board would next hear about the HPC's work with the Center for Health Information and Analysis (CHIA) on the development of the All-Payer Claims Database (APCD) Almanac. He explained that the APCD Almanac is a chart and data book, which includes trends on out-of-pocket spending, commercial spending, regional spending, and major categories of service. He added that the APCD Almanac is a groundbreaking piece of work that reflects a commitment to transparency and to the development of public resources on the Massachusetts health system. Finally, the board would be asked to authorize a submission of comments into the court authorized comment period for the consent judgment between Partners HealthCare System and the Office of the Attorney General.

Mr. Seltz announced upcoming meetings, including CTMP and CHICI on August 6, CDPST and QIPP on August 13, and a board meeting on September 3.

Mr. Seltz also provided commissioners with an update on the CHART Investment Program. He stated that the HPC released a Request for Proposals (RFP) on June 17 for CHART Phase 2. Through this RFP, 30 eligible CHART hospitals may apply for funding. He reminded the board that the total funding available in Phase 2 will be approximately \$60 million. He noted that initial prospectuses are due to the HPC staff by July 18 with full applications due in October.

Seeing no comments or questions on the Executive Director's report, Chair Altman moved to the next agenda item.

ITEM 3: 2013 Cost Trends Report: July 2014 Supplement

Dr. Cutler reminded commissioners that the board issued the July 2014 Supplement at its July 2, 2014 meeting. At that meeting, there was not sufficient time to discuss the findings from the report. As such, staff would review and present its contents at the day's meeting.

Chair Altman introduced Mr. Anuraag Chigurupati, Policy Director for Cost Trends and Special Projects, to present on the July 2014 Supplement.

Mr. Chigurupati stated that the HPC's 2013 Cost Trends Report contained various findings that warranted further investigation. As such, the July 2014 Supplement provides additional examination on spending levels, trends in the Massachusetts delivery system, disparities in quality and access, and measures of spending. After introducing these topics, he began discussing the findings outlined in the July 2014 Supplement.

Mr. Chigurupati introduced Dr. Marian Wrobel, Director of Research and Analysis.

Dr. Wrobel noted the HPC's interest in analyzing health care spending in terms of three factors: changes in the health needs of the population, changes in utilization, and changes in the prices paid for care. She stated that the HPC collaborated with CHIA to ensure that the quality and validity of the data being examined.

Dr. Wrobel reviewed the HPC's findings on spending levels and trends. She reviewed the calculation for the increase in overall spending growth, noting it is comprised of changes in price index, utilization, and health status. She stated that the HPC found that the increase in prices paid to providers was the largest driver of commercial spending growth between 2010 and 2012.

Mr. Chigurupati noted that utilization remains an opportunity for further examination.

Dr. Wrobel discussed trends in commercial out-of-pocket spending. She noted that members' out-of-pocket spending increased from 6.9% in 2010 to 7.7% in 2012. She further stated that the percentage of members paying over \$500 in out-of-pocket spending increased from 12.4% to 16.4% over the same period. She stated staff is looking forward to examining this trend.

Mr. Chigurupati reviewed the supplement's findings on long-term care and home health. He noted that the 2013 Cost Trends Report found that Massachusetts spent 72% more per capita than the national average in these areas. He stated that staff had further examined this trend in the July 2014 Supplement. He noted that the age of the population and price levels contributed to higher spending on long-term care. Mr. Chigurupati reviewed staff's findings on variation in the rate of post-acute care use and the setting selected. He noted that, relative to the national average, Massachusetts hospital patients are more than twice as likely to be discharged to a nursing facility.

Chair Altman asked if there were any explanation regarding why major teaching hospitals are less likely to recommend the use of nursing facilities as a post-acute care setting. Chair Altman stated that you might expect the data to read the other direction, as teaching hospitals typically care for a sicker population. Mr. Chigurupati responded that there are multiple hypotheses but that the question should be investigated further. Dr. Wrobel stated that although these rates are shown at the hospital level, patient preferences and the level of community support also contribute to decisions regarding the site to which a patient is discharged.

Dr. Hattis asked if there is any relationship between acuity of patients and their discharge to nursing facilities. Mr. Chigurupati noted that the data had been adjusted for patient acuity.

Dr. Hattis suggested that staff should examine these trends at the physician level. He stated that many nursing homes will have medical directors or single physicians who become the physician of record at that nursing home. While that could happen in a teaching hospital, he noted it happens often in the community hospital setting as well.

Ms. Yang asked if the HPC had identified circumstances where long-term care was or was not appropriate and how that affected overall data. Mr. Chigurupati noted this was an area that warranted more focus.

Dr. Cutler noted that the data presented on the use of discharge to post-acute care settings are among the most important findings because they identify significant areas of spending and potential opportunities for savings in Massachusetts.

Chair Altman stated that the movement towards bundled payments, in both acute and post-acute care, is an area of great national focus. He stated that the idea of bundled payments should be examined in Medicare, Medicaid, and the commercial market.

Ms. Yang stated that, even with financial incentives, it will take a long time for organizations to develop the type of procedures with which everyone will be comfortable. She added that there must be more effort to develop guidelines and best practices regarding the choice of appropriate post-acute care. Chair Altman concurred with Ms. Yang. Dr. Wrobel stated these same comments were echoed at the HPC Advisory Council meeting on July 16th and that staff will examine them moving forward.

Mr. Chigurupati reviewed staff findings on behavioral health. The 2013 Cost Trends Report found that spending for high cost patients with comorbid behavioral health and chronic medical conditions were 2.0 to 2.5 times as high as spending for patients with a chronic medical condition and no behavioral health condition. The July 2014 Supplement also revealed that higher overall spending for patients with behavioral health conditions is concentrated in emergency departments (ED) and inpatient care. He also noted that patients with behavioral health conditions had higher costs for medical expenditures outside of behavioral health.

Mr. Chigurupati reviewed staff findings on overall trends in the delivery system. He noted that the HPC's delivery system analysis focuses on inpatient care because it is the category of service for which the most valid and robust data is available. He stated that the 2013 Cost Trends Report found that the Massachusetts rate of inpatient admissions is 10% higher than the national average. He stated that the July 2014 Supplement found that Massachusetts' higher use of inpatient care is concentrated among medical discharges. He noted that Massachusetts is a leader in almost all quality measures, but that the state is lagging in preventable hospitalizations. He added that most Massachusetts residents leave their home region for inpatient care in the Metro Boston area. Mr. Chigurupati stated that commercially-insured patients and residents of higher-income communities are more likely to leave their communities to obtain inpatient care. He noted this data does not reflect disparities in quality, but simply shows flow based on income.

Ms. Sudders pointed out that the inpatient data does not include specialty psychiatric beds and that almost half of all psychiatric beds in Massachusetts exist in those specialty settings. Mr. Chigurupati stated that the July 2014 Supplement recommends a greater examination of this issue.

Mr. Lord asked whether there is any data indicating the increasing prevalence of tiered network products. Mr. Chigurupati stated the impact of those changes will require more data analysis.

Mr. Chigurupati noted that overall consolidation among large hospital systems in Massachusetts has resulted in the increased concentration of commercial inpatient care over the past five years. He noted that in 2009 the five largest systems in Massachusetts accounted for 48% of commercial inpatient discharges. In 2014, they account for 61%.

Dr. Altman noted that care is more expensive in teaching hospitals because they are able to negotiate higher rates. He asked that staff examine to what extent the cost difference is reflective of price differences and care differences, if the patient case-mix (a measure of the complexity of the care patients require) is constant.

Mr. Chigurupati reviewed findings on alternative payment methods (APMs) in the July 2014 Supplement. He stated that Chapter 224 sets the goal for the Commonwealth to adopt APMs in a way that is meaningful and useful. He noted that 29% of Massachusetts residents were covered by global budget APMs in 2012, with 34% in the commercial market and 43% in the public market. He stated this data would continue to be examined in the next report. Mr. Chigurupati stated there are several opportunities to expand upon APM coverage and strengthen implementation.

Mr. Chigurupati reviewed the key findings from the July 2014 Supplement, including opportunities in unit price and provider mix, opportunities for more efficient utilization, and overall trends in Massachusetts delivery system.

Ms. Sudders stated that the HPC should examine the role of behavioral health “carve-outs” health plans.

Chair Altman stated that alternative payment contracts (APCs) primarily exist within health maintenance organization (HMO) plans which are on the decline, while preferred provider organization (PPO) products are expanding as are high-deductible plans. He stated it was his hope that APCs would move to the PPO market, particularly under Blue Cross Blue Shield plans.

Dr. Hattis suggested a special meeting to examine the barriers to expanding APCs. Chair Altman stated that this would be a goal of the Cost Trends Hearings in October.

Dr. Everett stated that this report is comprehensive. She reiterated the hope that the Cost Trends Hearings would focus on the specifics of the HPC’s findings and on what the HPC can do to advance the solutions.

Dr. Cutler echoed his support for Dr. Everett’s point and stated the report also lays out themes for continued investigation in future reports.

Chair Altman stated this tees up the conversation very well for the Cost Trends Hearing. Mr. Seltz noted that the 2014 July Supplement is extremely comprehensive and highlights significant points of discussion heading into the Cost Trends Hearings on October 6 and 7.

ITEM 4: All-Payer Claims Database (APCD) Almanac

Mr. Seltz stated that information on the APCD Almanac could be found on the HPC's website after the day's meeting.

ITEM 5: Submission into Court Authorized Public Comment Period

Mr. Seltz introduced Ms. Lois Johnson, General Counsel, to provide an update to the Commission on the status of the consent judgment between Partners HealthCare System and the Office of the Attorney General.

Ms. Johnson summarized the status of *Commonwealth of Massachusetts v. Partners HealthCare System, Inc., South Shore Health & Education Corp. & Hallmark Health Corp.* Ms. Johnson stated that the parties submitted a consent judgment to the court on June 24, 2014, which would allow the acquisitions by Partners HealthCare System pursuant to certain conditions. She stated that the AGO filed a motion with the court to delay the judgment hearing, originally scheduled for August 5, until the HPC is able to complete and release its final cost and market impact review (CMIR) report on Partners HealthCare System's proposed acquisition of Hallmark Health Corporation.

Chair Altman asked for an update on the release of the final Partners-Hallmark CMIR report. Ms. Johnson stated that the board will consider the final report on September 3, 2014.

Chair Altman asked whether the initial hearing for the consent judgment meant that the HPC's submission into the public comment period would include the preliminary, and not final, Partners-Hallmark CMIR report. Ms. Johnson confirmed this was correct.

Chair Altman stated that submission of the preliminary report is appropriate given the court's timeline. He wanted to clarify that the HPC was following the approach outlined by the court.

Mr. Seltz reviewed a motion that would direct the Executive Director to submit to the court a summary of key relevant findings from four HPC reports for consideration in connection with the consent judgment: the HPC's final CMIR report on Partners HealthCare System's proposed acquisitions of South Shore Hospital and Harbor Medical Associates, the preliminary CMIR report on Partners HealthCare System's proposed acquisition of Hallmark Health Corporation, and findings from the 2013 Cost Trends Annual Report and the July 2014 Supplement. He stated that the HPC staff has prepared this summary and introduced Ms. Karen Tseng, Policy Director for Market Performance, to review it.

Ms. Tseng provided an overview of the proposed submission into the court authorized public comment period. She noted that the HPC is responsible for providing data-driven analyses of factors and transactions that affect the Commonwealth's ability to meet the health care cost growth benchmark. To that end, the proposed comment includes findings on a range of cost and market impacts from the proposed Partners acquisitions for the court and parties' ongoing consideration.

Ms. Tseng reviewed spending and delivery system trends as relevant to the parties involved in the proposed settlement. She noted that Massachusetts has the highest per capita health care spending of any state, with growth predominantly driven by faster growth in commercial prices paid to providers.

She stated that the HPC estimates that the five largest systems will account for 56% of all commercial discharges in 2014. She noted that this number would increase to 61% if the proposed Partners acquisitions are completed.

Ms. Tseng stated that many patients leave their communities to receive inpatient care in Metro Boston, with 81% going to major teaching hospitals and 47% going to Partners hospitals. She added that shifts in payment models can affect health care system performance and medical spending. She noted that evidence to date indicates that provider alignments and consolidations have generally resulted in net growth in spending.

Ms. Tseng reviewed the HPC's findings on the impact of Partners' proposed acquisitions of South Shore Hospital, Harbor Medical Associates, and Hallmark Health Corporation. She noted that, for the three major commercial payers, the combined transactions are anticipated to increase total medical spending by \$38.5 million to \$49 million per year as a result of unit price increases and shifts in care to higher priced Partners facilities. She stated that the resulting system would have increased ability and incentives to leverage higher prices, the cost of which is not included in HPC projections. Finally, she noted that the parties to these transactions have not provided adequate evidence of how corporate ownership is instrumental to achieving the desired care delivery reforms.

Ms. Tseng reviewed further findings relevant to the consent judgment. She noted that under the proposed agreement, price increases from these transactions will not necessarily result in a net increase in Partners' average price growth for the life of the settlement. However, she added that the price cap appears to allow Partners to retain certain flexibility to allocate price increases across providers to maximize revenue and market position. For Hallmark, such price increases would set a permanently increased baseline upon which future price increases would be negotiated, and would permanently increase baseline total medical spending in an area of the state that thus far has not experienced the market impact of a local, high-priced Partners facility. These price increases will increase consumer and payer premiums over time.

On provider mix, Ms. Tseng stated that the proposed agreement does not address the material price impacts of shifts in patient care to higher-priced Partners providers. She further stated that it only monitors TME for Partners' commercial risk business. This means that, as Partners grows its non-risk books of business, TME increases for those books of business would not be monitored. Ms. Tseng noted that 89% of Partners' commercial business is currently non-risk.

Mr. Lord asked if staff was surprised to find that 89% of Partners' total commercial business is comprised of non-risk business. Ms. Tseng noted that this data was filed in 2012 for the first time, and that as a major tertiary referral system, the scope of fee-for-service non-risk referral business for Partners is not necessarily surprising.

Ms. Yang noted that a patient referral could go to a Partners facility, but that they may be considered "at-risk" at another facility.

Dr. Hattis offered prepared comments. He stated that he believed the HPC's submission into the court authorized public comment period would be helpful to Judge Janet Sanders as she considers the public interest dimensions of this settlement. He noted his concerns about the proposed settlement's TME and price caps. Dr. Hattis also noted his concern for the uncertain or undefined components of the agreement that will have to be monitored for compliance to work. He voiced concerns on the state of the market and the challenges associated with health care costs once the settlement expires.

Dr. Hattis added that overall these transactions could have significant negative impact upon high government mix community providers such as Cambridge Health Alliance.

Seeing no further comment, Chair Altman read the motion to enter into the court authorized public comment period and asked for a vote to be taken by roll call. **Dr. Everett** made the motion. After consideration upon motion made and duly seconded by **Ms. Sudders**. Dr. Altman began the roll call vote:

Veronica Turner: Yes

Jean Yang: Yes

Rick Lord: Yes

Stuart Altman: Yes

Wendy Everett: Yes

Paul Hattis: Yes

Marylou Sudders: Yes

David Cutler: Yes

Glen Shor: Yes

Voting in the affirmative were the nine commissioners present, with no abstentions and no votes in the negative.

Chair Altman stated this compiled comment would now be submitted into the court authorized comment period. He thanked the board and the HPC staff for their work on this submission.

ITEM 6: Schedule of Next Commission Meeting

Following the conclusion of discussion of the final agenda item, Chair Altman announced the date of the next board meeting (September 3, 2014) and asked for any public comment.

Seeing no further comment, Chair Altman adjourned the meeting of the Health Policy Commission at 2:39 PM.